





## OVERSEAS NEWS

## Hopes raised of halting slide in Lebanese pound

BY RICHARD JOHNS IN BEIRUT

HOPES were raised yesterday that a serious Lebanese political crisis and a break-up of the present government could be averted when Dr Selim Hoss, Minister of Education and Labour, agreed to attend a cabinet session rescheduled for the evening.

It was not clear whether the respected Sunni Moslem and former prime minister had formally withdrawn the resignation submitted in writing at the weekend. But at least his decision to join the session originally scheduled for Sunday but postponed because of his move made it possible to reconvene the meeting called to discuss the country's economic deterioration and the slump in the value of the Lebanese pound.

His apparent change of heart was partly responsible for the recovery of the Lebanese pound which closed at 10.65 against the dollar compared with an opening rate of 10.95-11. But informal agreement among Beirut's 100 banks not to speculate, which was reached on Sunday, also contributed significantly to the stabilisation.

A low point was reached on Friday when the battered pound fell for the first time to 12 to the dollar. There were reports to be buyers prepared to pay 13 to the dollar before banks suspended dealings and the emergency cabinet session was called. There was a revival in limited trading on Saturday.

## Taba talks progress slow

BY DAVID LENNON IN TEL AVIV

EGYPT AND ISRAEL failed to make any substantive progress yesterday towards resolving their territorial dispute over Taba, a one-square-kilometre holiday resort on the Sinai's Red Sea coast.

The negotiations, which began on Sunday, are the first for two years. Despite a friendly atmosphere, the basic disagreement over policing of the disputed area, claimed by both countries, remains unchanged.

Israel runs a hotel and holiday village on the site which it refused to hand over to

Egypt when it completed the withdrawal of its forces from the rest of Sinai in April 1982. Israel wants its border police units to continue to police Taba. Egypt wants law and order to be taken over by the Multinational Force and Observers (MFO), a largely U.S. force involved in peacekeeping in Sinai.

The Egyptian and Israeli teams have exchanged formulae and working papers on ways of solving the dispute. But there was little sign of any narrowing of the gap between their respective positions.

## Iraqis start attack on Iranian positions

By Michael Field in London and Kathleen Evans in Dubai

THE IRAQI Government said yesterday that its army had launched an offensive against Iranian positions close to the town of Basra near oil-rich territory occupied by Iranian forces. It was not clear from early reports whether the offensive was on Iranian or Iraqi territory.

The area in which the attack has been made is a corridor of about 70 km between two areas of marshland and is the only part of the front in the south of the country in which military operations are practicable.

Iraqi reports said that their forces had occupied the positions they had attacked and inflicted heavy losses on the Iranians. The Iranian Government has acknowledged the attack but claims to have repulsed it, inflicting heavy casualties on the Iraqis.

The Iraqis say that their attack, the first for two years, is intended to pre-empt a major Iranian assault. There have been reports of Iraqi massing hundreds of thousands of troops in the southern area for several weeks.

The timing of the offensive seems designed to embarrass Iran, which in the next few days begins a celebration known as the Ten Day Dawn, marking the period in 1979 when the return of the Ayatollah Khomeini to Tehran and the final collapse of the Shah's regime.

It may also be that the Iraqis are trying to take Iranian territory in order to increase the flow of water into the 2km wide canal they have been building close to their frontier north of Basra.

In the naval theatre of operations, initial reports of the Iranian navy attacking a Greek tanker between Saudi Arabia and Kuwait on Sunday are now discounted in the Gulf. The attack is believed to have been carried out by an Israeli aircraft. It is assumed that by operating further south than usual the Israeli pilots, who are relatively inexperienced and are flying new aircraft, mistook the tanker for a vessel sailing to Kharg Island, the Iranian oil loading terminal.

## The cost of many projects is too high because of delays. Francis Ghiles reports

# Oil price doubts may force Algeria's hand

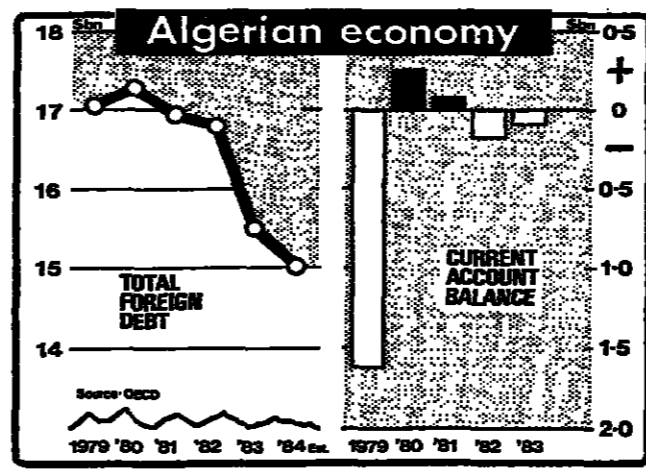
UNCERTAINTY about its oil and gas earnings has delayed, by perhaps as much as six months, the launch of Algeria's second Five Year Development Plan for 1985 to 1989.

Earnings of about \$13bn last year were slightly up on the 1983 figure, thanks to the large increase in the volume of natural gas and condensate exports. But the present downward pressure on the price of oil, which feeds into gas and condensate prices, makes projecting income to 1989 a daunting challenge.

The draft plan envisages investments of Dinars 550bn (\$55.1bn), nearly 40 per cent higher than the previous five year plan. Half of this money is earmarked for projects which are already under way, a clear indication of how far behind schedule they are running.

Agriculture and water resources would get 14.4 per cent of total investment, industrial development 31.8 per cent and housing 15.7 per cent and these are unlikely to be changed.

However, the draft plan argues that the level of foreign debt must "imperatively be reduced". Foreign debt fell to about \$15bn at the end of last year and servicing it absorbed around



30 per cent of export income.

No trade or balance of payments figure are available for 1984 but it is likely that not much has changed since 1983. A \$3.2bn trade surplus was achieved then, while the current account of the balance of payments recorded a deficit of \$86m.

Reserves have declined, however, from \$3.7bn at the end of 1981 to \$1.6bn at the end of November 1984, to which must

be added 5.5m ounces of gold, worth about \$1.7bn at present.

The extreme conservatism shown by Algerian leaders over foreign indebtedness has allowed the country to avoid travelling the path to the International Monetary Fund that so many others in the Third World have followed in recent years.

There are other sources of domestic funds the planners could harness, but they will have to allow a greater degree

of liberalisation if they are to boost private investment.

Since he succeeded the late President Houari Boumedienne six years ago, President Chadli Bendjedid has encouraged entrepreneurs, who today employ about one-third of all Algerians. But the state bureaucracy remains a formidable producer of red tape and can be far from encouraging to private investors.

Foreign trade has still not been liberalised, although private citizens and entrepreneurs have been allowed since December 1983 to import tens of thousands of small machines and cars custom free. These have been paid for with money held abroad, with no questions asked, a clear recognition that funds exist which are not entered into official accounts.

Algerian leaders like to be principled, ambitious, but also pragmatic. Allowing greater freedom for private investment and trade may not be to the liking of many senior civil servants, but the Five Year Plan draft repeats again and again that the cost of many projects is too high because implementation delays are too long.

Production bonuses have

many servants of the State already been introduced, which can only help in a country where oil wealth has made extremely lazy and where managers are only slowly regaining authority compared with trades unions.

The break up of the major State corporations such as the oil and gas company Sonatrach and the steel company Societe Nationale Siderurgique (SNS) has also caused delays. The corporations were set up in the 1960s to launch Algeria into the modern industrial age — but the new units are extremely jealous of their autonomy and unwilling to work together. Thousands of competent engineers and accountants are now idle.

Changes in Algeria never occur quickly, in part because they are extensively debated by the country's managers and within the ruling Front de Liberation National Party, and in part because President Chadli likes to build a consensus around any shift in policy.

This time, the weakness in the oil market may push Algerian planners into making changes faster than they would have wished.

## SPACE WEAPONS CONDEMNED

# Gandhi hosts 6-nation nuclear peace talks

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, the Indian Prime Minister, yesterday made his debut as an international statesman when he hosted a six-nation summit in New Delhi devoted to nuclear disarmament.

Picking up an initiative launched with five other national leaders last May by his mother, the late Mrs Indira Gandhi, Mr Gandhi took the opportunity to establish himself internationally in advance of a series of foreign visits he will make later in the year.

His major visits will be to the Soviet Union in May and the U.S. in June, maintaining the policy of his mother's who dealt with both super powers but gave a warmer reception to Moscow.

After meeting for little more than an hour yesterday, the conference adopted a communiqué—dubbed the Delhi Declaration—which calls for an immediate ban on testing nuclear weapons and a halt to

their development. But its main target is to halt the deployment of nuclear weapons in outer space.

"Outer space must be used for the benefit of mankind as a whole, not as a battle ground for the future. We therefore call for the prohibition of the development, testing, production, deployment and use of all space weapons," says the declaration.

Mr Gandhi has inherited from his mother the current chairmanship of the non-aligned movement.

Yesterday's conference platform was dominated by larger than life-sized pictures of her and Mr Jawaharlal Nehru, his grandfather and India's first prime minister.

Mr Gandhi called on the U.S. and the Soviet Union in their forthcoming arms talks in Geneva to aim for the "elimination of all nuclear weapons." India exploded a test nuclear

device in 1974 and has always insisted it is only using its nuclear knowledge for peaceful purposes. "We do not intend to develop a bomb," said Mr Gandhi yesterday, talking to reporters after the conference.

But he did not directly answer a question about whether India would state that it would never stage another nuclear explosion whereas Mr Raul Alfonsín, President of Argentina, asked the same question, said: "We have never thought of making a nuclear weapon nor shall we have any test."

India's attitude towards nuclear disarmament is tempered by its belief that Pakistan, its neighbour, either already has a bomb or is on the verge of attaining the capability to make one quickly.

There have been some signs during recent personal exchanges between Mr Gandhi and President Zia ul-Haq of Pakistan that relationships be-

tween the two countries may improve, but no formal initiatives have yet been taken.

In addition to Mr Gandhi and Mr Alfonsín, the conference was attended by Mr Olof Palme, Prime Minister of Sweden, Mr Andreas Papandreu, Prime Minister of Greece, Mr Julius Nyerere, President of Tanzania, and Mr Miguel de la Madrid, President of Mexico.

The group is co-ordinated by an organisation called Parliamentarians for World Order whose presidents include Mr John Siki, a British Labour MP.

Four of the leaders are to meet in Athens on Thursday for a follow-up conference with 50 international personalities. Mr Alfonsín reiterated his Government's policy that "at least during my presidency we do not intend to try to obtain the islands (the Falklands) by force."

## UN chief begins Hanoi visit

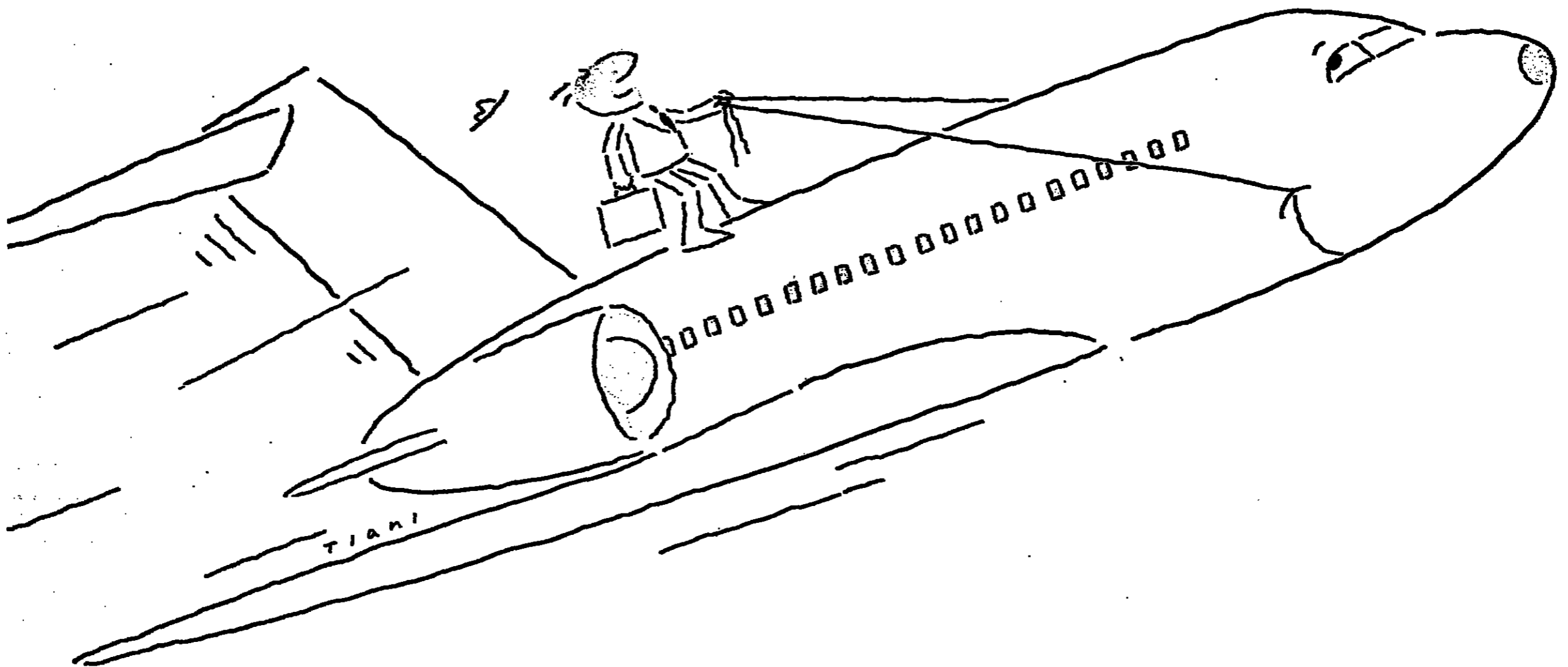
UNITED NATIONS Secretary-General Javier Perez de Cuellar arrived in Hanoi yesterday from Vientiane to try to breathe new life into stalled negotiations on the Kampuchean conflict, Reuters reports from Hanoi.

The UN chief will hold two rounds of talks with Mr Nguyen Co Thach, the Vietnamese Foreign Minister.

The formal discussions between the two officials will centre on Vietnam's six-year-old occupation of Kampuchea in defiance of UN resolutions.

## Sri Lanka briefings

Three Sri Lankan ministers are visiting Western capitals this week to brief the island's major donors on the collapse of the all-party conference on the ethnic issue, the growing threat posed by the Tamil separatist insurgency in the north and increasing Indo-Sri Lankan tensions. Mervyn de Silva reports from Colombo.



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## Clydesdale Bank PLC

### BASE RATE

Clydesdale Bank PLC announces that with effect from 29th January 1985, its Base Rate for Lending is being increased from 12% to 14% per annum

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## Hill Samuel Base Rate

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Williams & Glyn's Bank announces that with effect from 28th January 1985 its Base Rate for advances is increased from 12% to 14% per annum.

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## Yorkshire Bank Base Rate

Yorkshire Bank announces that with effect from close of business on Monday 28th January 1985 Base Rate will be increased from 12% to 14%



### Yorkshire Bank

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## Bank of Ireland

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Bank of Ireland



### Base Rate

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## The Royal Bank of Scotland Base Rate

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announces that on and after 28th January 1985 its Base Rate for lending is being increased from 12% to 14% p.a.

The interest rate payable on deposit accounts subject to seven days' notice of withdrawal will be increased from 9% to 11½% p.a. The interest rate payable on High Interest deposit accounts subject to twenty-one days' notice of withdrawal will be increased from 10% to 12½% p.a.

Standard Chartered

## Grindlays Bank p.l.c. Interest Rates

Grindlays Bank p.l.c. announces that its base rate for lending will change from 12% to 14% with effect from January 29th 1985.

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## WORLD TRADE NEWS

## British group plans to visit U.S. in fight against unitary tax

By CHRISTIAN TYLER, WORLD TRADE EDITOR, IN LONDON

BRITISH industrialists are to visit California next month to lobby for the repeal of the state's system for taxing multinational companies.

Sir Terence Beckett, Director General of the CBI who will lead the mission, said yesterday that 1985 was "make or break year" for settling the controversy over so-called unitary taxation, pioneered in the U.S. by California.

The system, used in about a dozen states, means that companies are taxed on a proportion of their worldwide profits, and not just on their local earnings.

Companies and governments in Europe, Canada and Japan have protested that the system can lead to double taxation and high administrative expenses. They say it is a big disincentive to investment.

The states using the system have been asked by the federal

Government to revise their procedures by the end of July. After that, Washington will again consider whether to take legislative action.

Sir Terence told a conference in London yesterday that unitary taxation was "arbitrary in concept and inequitable in application, posing a serious threat to businesses around the world."

At the same conference, Mr John Moore, the UK Treasury Financial Secretary, said that unitary taxation was harmful to the development of the world economy. "If unitary tax is allowed to persist, its disruptive influences on the pattern of investment and trade throughout the world will grow."

The multinationals fear that the system, or a variant of it, could be adopted by other countries, especially in the developing world.

## Brazil, EEC resume talks on steel today

By Andrew Whitley in Rio de Janeiro

BRAZIL AND the European Economic Community will resume negotiations in Brussels today on a voluntary limitation agreement covering growing Brazilian steel exports to the Community.

Disagreement between the two sides centres on the global volume to be permitted to enter the EEC during the life of the agreement, expected to be only one year. The first round of talks earlier this month broke up over the Brazilian insistence on a 200,000-tonne annual ceiling.

EEC officials are believed to have proposed, instead, a ceiling of 103,000 tonnes, about half the volume Brazil exported to the Community last year. However, last week Sr Adimar Shivelbein, a senior finance ministry official, who is heading the Brazilian delegation, was confident Brussels would accept the Brazilian proposal in the forthcoming talks.

The negotiating deadline of next Tuesday—after which Brazilian steel becomes liable to a series of anti-dumping and anti-subsidy duties—has, in practice, been temporarily waived because of the continuation of the talks.

One substantial concession already made on the Brazilian side is that any agreement reached will cover all steel products except tubes. Brazil had originally wanted the voluntary restraint pact to cover only those steel products threatened with additional surcharges.

According to Brazilian officials, under the scope of the proposed EEC pact, individual quotas for flat steel products sold to the UK, West Germany and Italy will also be negotiated. In addition the bilateral agreement will cover wire sold to West Germany.

Earlier steel talks failed to reach any conclusion. The current round is in response to growing pressure from Brussels for an agreement with a steel industry whose export growth has recently been one of the most impressive in the world.

## Jurek Martin looks at the issues as the two sides return to the negotiating table U.S. and Japan tackle tension over trade

EVEN AT the best of times, it is often difficult to keep track of the trading disputes to which, it seems, the U.S. and Japan devote most of the waking hours of their bilateral relationship. These, it must be noted, are not the best of times.

After a six-month lull, brought on by political distractions in both countries, the U.S. has returned to the negotiating table with a vengeance, intent on extracting from Japan concessions that collectively might make some dent in Japan's trade surplus, worth last year about \$33bn (£30bn) and, according to all projections, unlikely to diminish in the coming 12 months.

For its part, Japan has committed itself to producing yet another market-opening package designed to make its economy less impervious to American goods and services. It is due out at the end of March to limit straight exports to 31 years (excluding the financial liberalisation agreement concluded last May and still being implemented).

Realistically, neither side believes that the next package will constitute a cure-all. Even if Japan's exports to the U.S. do progressively moderate as the U.S. economy slows and as the yen appreciates against the dollar, import growth is only likely at best to keep pace with that of foreign sales and the trade gap will remain substantial.

Big ticket import items, such as Japanese purchases of Alaskan crude oil, are in the purview of the U.S. Congress, not the Government, while vested Japanese agricultural and industrial interests are

BRITISH AEROSPACE is discussing with Japanese manufacturers the possibility of them sharing in the development of the new, bigger Series 300 version of the BAe 146 four-engine regional jet airliners, writes Michael Donne.

The Series 300, with a lengthened fuselage and other improvements, will carry up to about 125 passengers, compared with the 109 in the

Series 200 model. It is designed to meet the growing market for larger short-haul jet airliners of between 120 and 130 seats, for which the current 146 types are too small.

The BAe discussions are with Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries.

Reports from Tokyo sug-

gest that an agreement is likely in March, and that the Japanese companies will manufacture wing-flaps and other wing moving parts, amounting to about 1 to 2 per cent of the aircraft.

The value of the work could be between ¥50m (£130,000) and ¥100m per aircraft.

The first Series 300 146 is expected to fly in 1987, with deliveries in 1988.

Transport: In the air, the U.S. wants Japan to allow another U.S. carrier to fly to Japan; which, in turn, is complaining because the U.S. has not granted a All Nippon Cargo U.S. rights, Japan, for instance, threatening the offensive.

On the sea, Japan requires both car exports and U.S. tobacco imports to be carried in Japanese ships.

Industrial policy: The U.S. wants foreign exporters to be allowed to sit in on the key policy-making bodies, of which the best known is MITI's industrial council.

The Kellogg's, the employers' federation, has created a special category of membership for foreigners and some industrial associations have begun taking testimony from foreigners.

The basic U.S. complaint is that, without full participation in Japanese public policy, the U.S. remains insufficiently transparent and thus weighted in favour of Japanese concerns, whose relations with the bureaucracy are already intimate.

The package two months hence will be but a partial attack on some of the issues. Others, such as cars, may lend themselves to independent bilateral settlement or draws on for years, as is probably the case with telecommunications.

The issues are all subject to a political dimension, both on the Japanese side, in Mr Nakasone's ability to influence his bureaucracy, and on the U.S. side in the extent to which it is willing to put pressure on the President's friend.

## W. Africans seize 1m pirate cassette tapes

By CHARLES BATCHELOR IN LONDON

WEST AFRICAN police and customs officials have seized more than 1m pirate cassette tapes with a retail value of \$4m in a 3½-month crackdown on black-market tape shipments.

The seizure of the tapes, all of which originated in Singapore, the centre of the international pirate recording industry, was announced yesterday by the International Federation of Phonogram and Videogram Producers (IFPI) in London.

The federation has increased efforts in the last three years to stamp out the international illegal recording industry which conservatively is worth at least \$1bn a year.

A breakthrough in the campaign was achieved when Singapore police raided several premises selling pirate copies of Do They Know It's Christmas, the Band Aid record made to raise funds for Ethiopian famine victims, Mr Mike Edwards,

the federation's anti-piracy co-ordinator said.

The Singapore Government is considering introducing tougher anti-piracy legislation which, the federation hopes, will reduce the scale of the industry. The federation claims that court cases it has brought have reduced the industry in Singapore from 110m cassettes a year in 1981 to 50m last year.

Pirate cassettes deprived the legitimate recording industry of revenue, governments of taxes and damaged the local music industry in developing countries, Mr Edwards said. Bootleg cassettes typically sell for between a quarter and a half the price of genuine tapes.

The West African campaign led to the seizure of six vessels carrying 1.05m cassettes in ports in Benin, Nigeria and Cameroon. Last Monday, 200,000 tapes were seized in Douala, Cameroon.

## Technip wins Congo contract

TECHNIP, a French construction company, has won a turn-key contract worth FF220m (£23m) to build two breweries in the Congo, AP-DJ reports from Paris.

Both breweries will use technology provided by the Danish brewing group Tuborg. One will be located in Brazzaville and the other at Oyo, about 200 miles to the north.

The contract, awarded by Société Internationale des Brasseries du Congo, still has to be approved by Coface, the French export credit guarantee organisation.

## Airbus set to boost output rate

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, is expected to decide soon on an increase in the production rate of Airbus aircraft from three a month to four at least, to be effective by 1986.

The group's latest Airbus Letter states that this is due to the big inflow of new orders last year, with new commitments for 58 aircraft, and a further 78 options, over five times the 1983 volume.

Some of the commitments have yet to be signed as firm orders, but even so the firm

orders and options placed amount to 58. Total Airbus orders stand at 411 firm sales with commitments for another 43 aircraft.

While current production plans for 1985 envisage an output of about three aircraft a month (A-310s and A-300-600s), "market return will make Airbus Industries and its partners decide to increase the 1986 production rate, however, in order to satisfy demand."

Mr Jurgen Thomas, senior vice-president (industrial), sees no problem in achieving this. "Since the second half of the

70s, European manufacturers have learned their lessons and greatly improved production flexibility and responsiveness, so as to be able to cope with an increase of one or more aircraft a month, with an 18-months lead time.

"In addition, the existing tooling, jigs and human resources available at all sites would permit an increase without difficulty, and without loss of production quality."

Close monitoring of the market is expected to lead to a decision in the coming weeks.

## Biotechnology sales to rise

By CARL RAPPAPORT

THE U.S. biotechnology market will be worth more than \$1.2bn (£1.1bn) in 1988, according to the president of a U.S. based consultancy group speaking in London yesterday.

Mr Roger Shamel, president of Consulting Resources Corporation based in Massachusetts, sales of pharmaceutical products produced via biotechnology will grow from \$35m in 1983 to around \$900m in 1988. Biotechnology products in the agriculture, chemicals, and food sectors will account for another \$355m by 1988.

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Only dramatic changes in existing government policies will reverse an otherwise rapid deterioration of the business environment. There are clear indicators that point to the types of firms and products with good prospects. Other investors should withdraw as soon as possible.

### CORPORATE STRATEGIC CONCERNS FOR THE PHILIPPINES 1985-86

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Notice is hereby given that the above Series of Notes issued under a Note Purchase Facility Agreement dated 5th May, 1982, carry an Interest Rate of 9¼% per annum. The Maturity Date of the above Series of Notes will be 29th July, 1985.

28th January, 1985

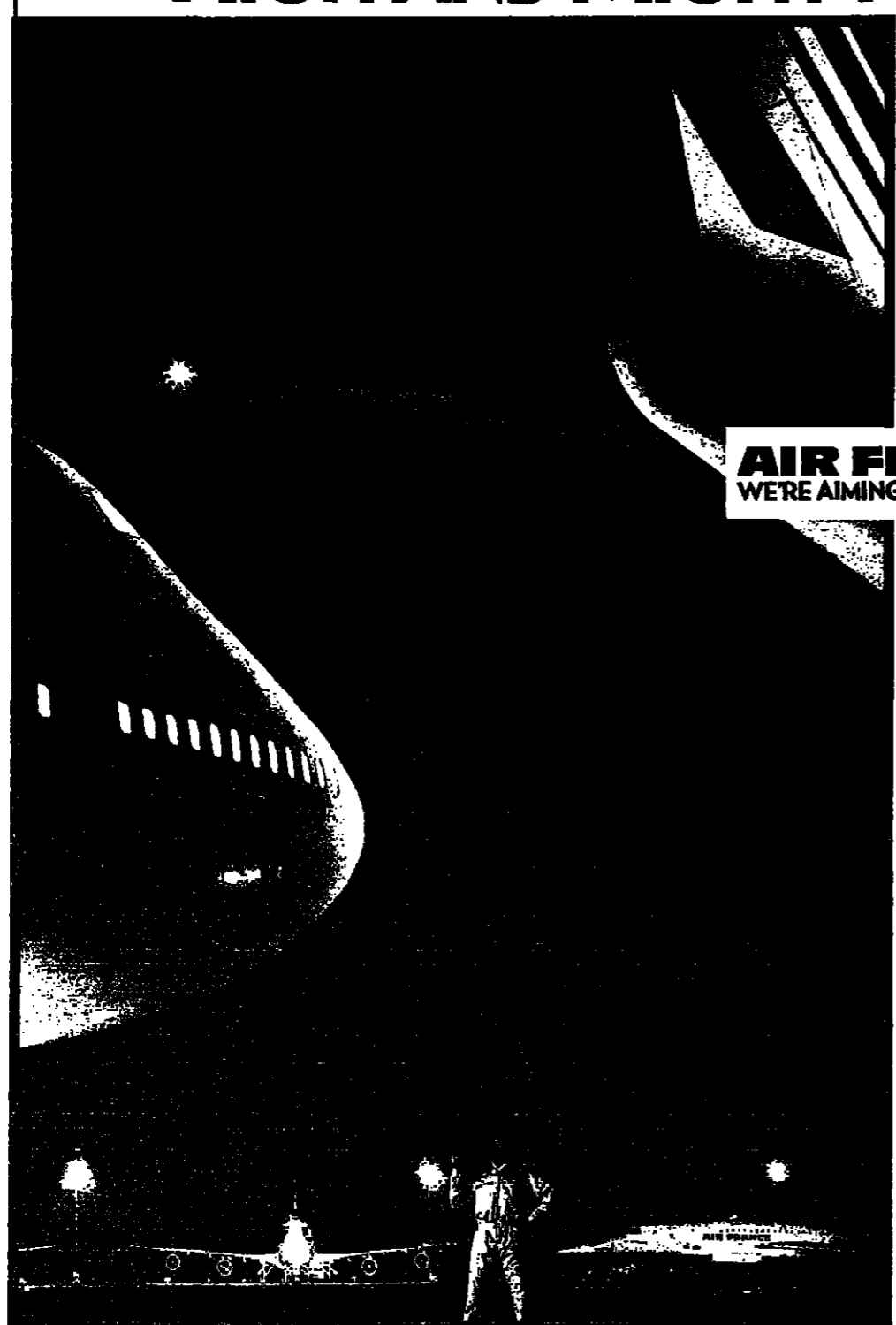
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## HIGH AND MIGHTY

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AIR FRANCE  
WERE AIMING EVEN HIGHER



THE Vauxhall Cavalier has provided the key which unlocked the door to Britain's fleet car sector for General Motors.

Fleets buy about half the new cars sold in Britain so success in the sector is essential for any company wanting significantly to increase sales.

The Cavalier's climb from fifth to second place in the list of Britain's best-selling cars helped GM, the Vauxhall-Opel Group, continue its rapid market share advance in 1984.

But the declining popularity of its major rival, the Ford Sierra, which slipped back three places to fifth among best sellers—contributed largely to Ford's reduced market share last year.

The jury is still out as far as Austin Rover's new fleet contender, the Montego, is concerned. The BL subsidiary admits that it has found fleet buyers much more cautious than it expected and Montego sales did not pick up as quickly as the company hoped.

Launched in May, the Montego just missed the Top 10 last year, a list which has changed considerably in character since 1982 when GM with the Cavalier took full advantage of Ford's switch away from the Cortina.

Britain's best-seller for most of its 18 years, the Sierra, the Cortina, once the fleet buyers' favourite, regularly took 11 per cent of total UK new car sales. In 1984, for the second successive year, no individual model reached 10 per cent of the market. The winner, Ford's Escort, managed 8.99 per cent (157,340 registrations), while the Cavalier achieved 7.55 per cent (132,149).

So the demand pattern has changed as the fleets began to buy from GM as well as Ford and also looked in Austin Rover's direction as well.

The Society of Motor Manufacturers and Traders' statistics indicate that GM's progress, from 14.63 per cent of the 1983 car market to 16.17 per cent last year (against only 11.89 per cent in 1982 before the Cortina was dropped), continued to be mainly at Ford's expense.

However, whereas the launch of the Maestro in 1983 enabled Austin Rover to hold its ground in spite of being caught up in the struggle between the two largest automotive companies in the world—which had chosen Britain as their main battleground—last year GM's inexorable rise cut savagely into the state-owned company's recovery hopes.

Ford retained the car market leadership it first snatched from BL in 1976 and remained in sight of the 30 per cent share it maintains it needs to justify the huge investment it has made in new models and to keep its dealer network healthy.

As market leader, the U.S.-owned group had a major influence on the ferocity of the car wars last year because between September 1983 and April 1984 it declared a moratorium and did not offer the big dealer incentives which helped create the unprecedented price jutting in 1983.

GM's response was to launch a "fast start" campaign, offering its dealers big incentives to sell as many cars as possible in January and February last year—later extended to include March as well.

The Motor Agents Association reported at the time that its research showed three out of four dealers were offering substantial discounts on new cars without even being asked for one. Discounts offered before any bargaining began ranged from 10 to 15 per cent.

But by the end of the year the habit of offering discounts to telephone callers had been broken by 75 per cent of GM dealers in the London area, according to research by the Sewell consultancy organisation.

Mr Michael Marshall, chief executive of Marshalls of Cambridge, a major Austin Rover dealer, explains that the battle has eased "because a great many dealers have realised they cannot live on nil margins forever. The tendency in 1984 was towards small pockets of fierce discounting and market conditions in general remain highly competitive."

To achieve its sales targets last year, GM imported many more cars from its factories on the Continent. Imported cars accounted for 58.38 per cent of GM's total sales—165,116 vehicles—against 53 per cent (139,027) in 1983.

Both Ford and GM have been under pressure from the UK Government to build more cars in Britain and last year Ford hoped to increase its British-produced element in its sales to 60 per cent. In the event it achieved 57.3 per cent against 53.7 per cent in 1983 and reduced the imports among its registrations from 239,742 to 208,053.

Ford says it did not do better because its UK plants failed to achieve the (reasonable) scheduled output. The company estimates it "lost" production of about 72,000 vehicles in the first 10 months of 1984—and then came the strike of women seat trimmers which halted production at the end of the year.

Ford also points out that even those cars assembled in its continental factories often have a substantial UK content—

engines from the Bridgend plant for example.

GM, meanwhile, has had to ask for patience until it could build up production of the new Astra at the Ellesmere Port on Merseyside and thus reduce the percentage of imports in its registrations.

So far GM's market share improvements have not brought profits with them. Mr John Fleming, chairman of the Vauxhall cars business, has already given a warning that the company did not more than break even at best in 1984. He blames strikes in the UK (over pay) and the engineering dispute in West Germany for a loss of £20m in 1984. Critics maintain that Vauxhall's failure to make a profit bears witness to the fact that GM is "buying" market share in Britain as it attempts to catch up with Ford in Western Europe.

One result of GM's rise as a major importer is that the number of imported cars registered in Britain climbed above 1m in 1983 and stayed there last year. Imports accounted for 57.52 per cent of the market, up from 56.92 per cent.

Last year was another disappointing one for the other UK-based producer, Talbot UK, the Peugeot group subsidiary. Talbot is hanging on by its fingertips while it prepares for the introduction later this year of the new "supermini" code-named C28 which will be assembled at Ryton, Coventry.

However, if the French parent decides to put a Peugeot badge on the C28, it will also probably do away with the Talbot marque completely and give the UK subsidiary an even harder task—convincing the fleet customers that a Peugeot can be a "British" car.

Among the 1984 "losers," the

biggest volume decline in percentage terms was suffered by Alfa Romeo which last year took the full brunt of the decision to stop production of the Alfaud and replace it with the larger and more expensive Alfa 33.

Alfa's new car sales, which reached 13,000 in 1979, slumped last year by 45 per cent from the 1983 level to only 4,286.

Halfway through 1984 the state-owned parent company put its new management team to try a different philosophy—in future it will no longer attempt quickly to rebuild sales volume but instead will cut costs to match more reasonable targets: 4,500 cars for 1985 and between 5,000 and 5,500 next year.

The parent company has injected £15.5m into its British "offshoot" to cover losses for the past two years and given it one last chance of survival.

The new managing director, Mr Rinaldo Hercolani, has already cut the headquarters staff by nearly half to 71, cut advertising and promotional expenditure and put up for sale the UK headquarters building opened with a fanfare and at the cost of £5m in 1980.

The second biggest "loser" last year, in percentage terms, was another Italian company, Lancia. Its sales fell by 23.7 per cent to 2,639.

Fiat, the parent company, sold off the Lancia import business in Britain to Mr Gerald Ronson's Heron group in January 1983, but so far it has not proved to be one of Mr Ronson's better buys.

Heron paid £8.7m to Fiat for the assets of the UK organisation and also bore the cost of moving into a new headquarters at Ashford, Kent. Mr Ronson confidently predicted at the time that Lancia, as he called his new subsidiary,

would be profitable in its second year—1984—and that by 1987-88, he would be selling 25,000 to 30,000 Lancias a year compared with the peak 11,704 in 1978.

But Lancia was not profitable last year and it missed its target of 5,000 sales by a considerable margin.

The company insists it could have sold more cars if it had provided extra financial support for the dealers in line with most of its rivals, but this would not have been compatible with the major task: rebuilding the image of Lancia as a quality producer.

Cost-cutting has become the order of the day for Lancia, too, as Mr Ronson has merged most of its operations with those of his Suzuki car business and closed the Ashford facility.

Lancia was not the only company which refused to be drawn into the extremes of the discount warfare in 1984. Volvo Concessionaires, the Lex Service group subsidiary, which imports Volvo cars to Britain, also chose to accept a drop in volume sales rather than become embroiled in the worst excesses of the price war, according to Mr Peter Turnbull, the chief executive.

The big "winners" last year included some relatively new arrivals to Britain, and companies which have relied to some extent on low prices to make headway. Hyundai, of South Korea, whose cars are imported by the privately-owned International Motors group of the West Midlands, achieved a 48 per cent increase in registrations to 4,989.

Yugo cars, from the Zastava company in Yugoslavia, and introduced to Britain for the first time in 1981, managed a 33.6 per cent improvement in registrations to 6,190.

To some extent companies such as Zastava, Hyundai, Skoda and FSO, the former Polish-Fiat joint venture, are benefiting from the gradual move up-market by the Japanese, which has left a price gap at the bottom.

The leading Japanese companies certainly had to work hard for their sales last year. Car shipments are restricted by the gentlemen's agreement between the UK and Japanese industries, but allocations within the quota are made by Japan's Ministry of International Trade and Industry by reference to performance by individual companies in the recent past.

Nissan, needing to keep as much of its existing market as possible for the day when its new UK assembly plant comes on stream, took the gloves off in 1984. For example, the company registered several thousand cars in September and December, even though there were no customers for them. This has the effect of boosting market share but the cars then have to be sold as "used" vehicles, so it is an expensive ploy.

In the event, the Japanese overshoot the 11 per cent that is generally accepted to be the limit of their penetration of the British car market, under the terms of the industry-to-industry agreement.

The British were not disturbed because the Japanese based their shipments on forecasts, which suggested that car sales last year would be higher than they actually turned out to be.

However, at 1,749m, they were the second-highest ever, and only 2.35 per cent below the record set in 1983.

## UK NEWS

# The year the Cavalier won the hearts of the fleets

By Kenneth Gooding, Motor Industry Correspondent

### UK CAR MARKET 1984

Company	Country	1983		1984	
		Registrations	Market share %	Registrations	Market share %
WINNERS					
BMW	W. Germany	23,178	1.41	25,785	1.47
Colt	Japan	3,145	0.51	19,553	0.90
Fiat Auto	Italy	46,234	2.58	47,563	2.72
FSO	Poland	4,439	0.25	5,419	0.31
General Motors (Vauxhall-Opel)	W. Germany/ Spain/UK	262,141	14.63	282,325	16.17
Honda	Japan	12,796	1.05	18,916	1.08
Hyundai	S. Korea	3,412	0.19	4,989	0.29
Jaguar/Daimler	UK	7,069	0.39	7,344	0.43
Lotus	UK	282	0.02	374	0.02
Mercedes-Benz	W. Germany	12,566	0.75	14,437	0.83
Nissan	Japan/Italy	194,684	5.84	196,369	6.08
Subaru	Japan	3,627	0.20	3,673	0.21
Toyota	Japan	31,683	1.77	32,702	1.87
Yugo	Yugoslavia	4,634	0.26	6,199	0.35
EVEN					
Mazda	Japan	17,838	0.98	17,505	1.00
Rolls Royce/ Bentley	UK	633	0.04	630	0.04
Skoda	Czechoslovakia	11,959	0.62	11,623	0.63
LOSERS					
Alfa Romeo	Italy	7,763	0.43	4,286	0.24
BL	UK	238,656	13.18	212,054	12.44
Citroen	France	25,751	1.44	24,562	1.40
Daihatsu	Japan	5,198	0.29	4,779	0.27
Ford	UK/W. Germany/ Spain	518,048	29.91	466,971	27.83
Lada	USSR	15,232	1.07	15,633	0.85
Lancia	Italy	3,461	0.19	2,639	0.15
Peugeot Talbot	France/UK	78,495	4.44	70,519	4.03
Porsche	W. Germany	3,333	0.18	3,114	0.17
Renault	France	62,923	3.51	59,779	3.42
Saab	Sweden	9,490	0.53	8,435	0.50
Volkswagen/ Audi	W. Germany	100,727	5.82	96,603	5.52
Volvo	Sweden	61,250	3.42	59,672	3.38

Source: Society of Motor Manufacturers and Traders.

VOLVO IS OWNED BY 150,000 SHAREHOLDERS, INCLUDING MANY VOLVO EMPLOYEES IN SWEDEN. THREE QUARTERS OF THE SHAREHOLDERS OWN FEWER THAN 200 SHARES EACH AND THE LARGEST LESS THAN 5% OF THE VOTING RIGHTS. VOLVO SHARES ARE DISTRIBUTED MORE WIDELY THAN THOSE OF ANY OTHER CORPORATION IN SWEDEN.

VOLVO

## GERMAN STEEL INDUSTRY

## Saar plant may be running out of time

By Peter Bruce, recently in Volklingen

OF THE three state elections in West Germany this year, the one in the Saarland in March is probably the most important, at least in the short term. If Chancellor Helmut Kohl's Christian Democrats (CDU), who currently rule the Saarland, succumb to a powerful challenge from the Social Democrats, then the CDU will lose its overall majority in the Bundestag, the country's upper house.

Runched on the banks of the Saar river, at Volklingen, a few minutes by autobahn from Saarbrücken, the state capital, is a steel plant that could dash the CDU's hopes of retaining the state. It is Arbed Saarstahl, the state's biggest employer, biggest customer, the second biggest employer, the Saarbergwerk coal mines, and it is bankrupt in all but name.

Some experts believe that if Saarstahl is allowed to die, as it is fashionable to argue in more healthy German steelmaking concerns, some 50,000 jobs would go in the Saarland. Bonn and Saarbrücken have an option, bought last year for DM 1 from Arbed Saarstahl's Luxembourg parent, but no one seriously expects them to ever exercise it. Nevertheless, CDU heavyweights, including Herr Gerhard Stoltenberg, the Finance Minister, are beginning to trickle down the Saar to offer vague hints of further aid, or at least debt relief.

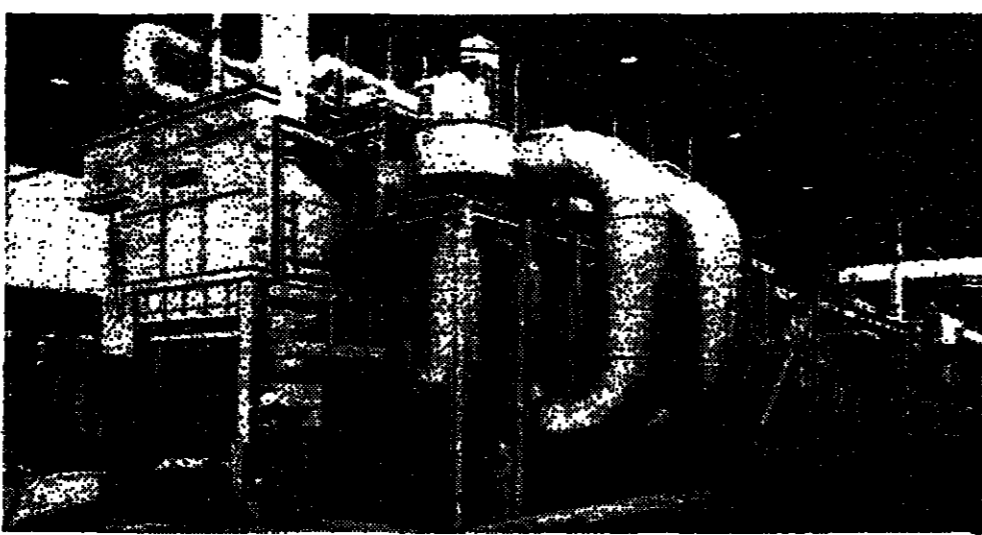
Whether the comfort Saarstahl management or not is a moot point. They are, to put it mildly, a little stretched at the moment. Herr Hans Georg Rosenstock, the technical director,

## A gravity that only comes with practice

is doubling up as chief executive/finance director, while his three executive board colleagues have been at the beck and call for the past few months of two management consultations. One has been asked to find a way to rescue the company, the other is trying to determine if it can be saved.

Saarstahl's depressing plight is by now so familiar to the Germans that its regular requests for aid are chronicled by the local press with a gravity that only comes with practice. The fact that it has received more support, DM 3.1bn at the last count, than any other undertaking in the nation's history serves as little more than a regular footnote in their reports.

Saarstahl's well-wishers outside the Saarland are very thin on the ground. Italian bureaucrats in the EEC are probably grateful it exists, if only be-



Heat treatment of a rod in full coils at Arbed Saarstahl

cause it is useful as something to throw back at their West German counterparts. The Germans constantly preach the evils of steel subsidies and are insisting that the European Commission sticks to its guns and ends all state payments to steelmakers by the end of the year.

Steel has been made in the Saarland since the Middle Ages. Of the sites that remain, the oldest is probably at Neunkirchen, to the east and away from the river. The Dillingen works, down river from Volklingen, grew up in the 1860s. The sites at Burbach, on the outskirts of Saarbrücken and Volklingen, are some 120 and 112 years old respectively.

Saarland's coal reserves also drew steelmakers from Belgium, France and Luxembourg. The Burbach site, for instance, was bought by the Société en Participation des Forges de Sarrebruck, among whose founders was one Victor Tesch, then Governor of the Société Generale de Belgique, and an ancestor to the current Arbed chairman, Emmanuel Tesch.

Arbed itself was created by a merger in 1911 and though the Burbach works grew, the company made its next decisive, even fateful, move in Germany exactly 60 years later, when it merged the Burbach works with a second integrated plant run by the Röhrlich family in Volklingen in 1971.

Between 1971 and 1974, Röhrlich-Burbach raw steel output rose nearly 1m tonnes to 3.55m tonnes. A new wire mill was commissioned and in 1974, the company made record net profits of DM 81.8m, nearly doubling its income in the year.

That, however, was its last happy year. Along with the rest of the European steel industry, it plunged into crisis after the first oil price shock. By 1977, raw steel output had

fallen to 2.5m tonnes, a full 1m tonnes of that loss being absorbed in 1975 alone. Net losses in 1977 were DM 211.8m. The Röhrlich had by this time had enough, and sold most of their half share in Röhrlich-Burbach to Arbed. At the same time Arbed also took control of the ageing and almost bankrupt integrated works at Neunkirchen.

With the slump in steel showing no signs of abating the Federal and Saarland governments were then roped in on a grand plan to restructure and stiffen the region's steel industry. Bonn and Saarbrücken agreed to fund what was now called Arbed Saarstahl to the tune of DM 900m in loan guarantees and a further DM 250m in loans repayable if it ever began making profits again.

The plan itself was radical. Some fourteen blast furnaces, 13 old Bessemer iron converters, 14 rolling mills and 13 coke batteries would be scrapped at the three sites.

Neunkirchen in particular would be reduced from an integrated works with four blast furnaces and eight mills to just two relatively new mills. Coke and iron production was to be concentrated at the Dillingen works, owned now by the French state-controlled steelmaker, Sacilor. Saarstahl would take a 50 per cent stake in Dillingen's relatively modern blast furnace operations and, along with Dillingen, a minority stake in the coke operation, which would be 49 per cent owned by Saarbergwerk, Germany's second major coal producer.

Given the antiquated state of most of the plant scrapped, it was probably reasonable for Arbed to assume it could restructure and invest its way out of trouble in Saarland.

Certainly, that sort of thinking is still fashionable among most steelmakers. The investments at Dillingen cost DM 1.25bn, which were shared, while Saarstahl also built itself a new steelmaking plant at Volklingen for DM 750m.

Most of that investment is now up and running and many experts say that as steel restructuring goes, Saarstahl's was as good as any. Saarstahl now believes its costs equal other German producers.

Nevertheless, Volklingen has continued to lose large amounts of money. Losses in 1983 were DM 123m. Public loans and guarantees now total DM 3.1bn, of which the state and federal governments are servicing DM 1.1bn only. The redundancy plans agreed for Saarstahl's restructuring cost it DM 60m a year and its operating requirements are being drip fed, with the reluctant approval of the European Commission, by the Saarland Government.

Bonn has sworn not to give it another penny and the Luxembourg authorities in 1983 refused Arbed any further financial help.

Saarstahl, meanwhile, may be running out of time. The Commission in Brussels announced after the Saar restructuring plan had got under way that by the end of this year, all state subsidies to European steel producers must end. Whether its resolve, in the face of backsliding by the Italians and, to an extent, the French, will hold is debatable.

But whatever happens Saarstahl is not likely to be ready to face the world on its own by the deadline despite the optimism of some officials who believe that with prices firming it should at least be able to operate at break even by next year.

A further difficulty is that Saarstahl is trapped by the products it makes—rods, bars, wire,

beams and sections. This is relatively unsophisticated stuff and given that its markets are predominantly southern the company comes up against the fiercely efficient Bresciani in Northern Italy. These consist of around 100 producers of so-called "long products," and are so feared that they were once thought to be melting down the rolling stock that brought them scrap metal from France. The Bresciani traditionally pay little attention to the dictates of the Commission's steel price and production quota regulations.

Saarstahl, with the local government and Commission breathing down its neck, can do little to combat the Italian hard sell. Running the company now requires, in fact, a political balancing act of such consuming delicacy that Arbed has been unable so far to find a chief executive with nerve enough to replace Herr Jürgen Krackow, who left at the end of 1984.

Herr Krackow's departure has not, however, prevented a team of German consultants from Munich-based Roland Berger, getting on with drawing up proposals for a further rationalisation of Saarland's steel industry. Their report, commissioned by Arbed Saarstahl's supervisory board (which in Emmanuel Tesch, Arbed's chairman and descendant of Victor) is expected to recommend even closer ties, even a merger, with Dillingen.

Whether that would suit Saar is an open question. Dillingen is profitable and sells

## It can do little to combat the Italian hard sell

much of its main product, heavy plate, to a Sacilor associate.

A second group of consultants, McKinsey & Co, is trying to work out whether Saarstahl is, in the medium term, a viable concern. McKinsey was brought in at the behest of the Commission as the price for agreeing to release some DM 100m in aid at the end of last year.

It is not known whether McKinsey will do the polite thing and wait for Roland Berger to come up with restructuring proposals before making its own pronouncement. Either way, it probably doesn't matter. The odds are that McKinsey will bear depressing news for an interim report recently has apparently already raised doubts about the viability of Saarstahl's products. No one in the Saarland or Bonn wants to hear that now.

## The Rank Organisation Plc

(Incorporated with limited liability in England under the Companies Act 1929)

Notice to holders of the 4 1/2 per cent, Convertible Loan 1993 of The Rank Organisation Plc (of which US\$41,367,000 in principal amount is outstanding)

The Board of The Rank Organisation Plc ("Rank") considers that certain provisions of the trust deed dated 15th February, 1973 (the "Principal Trust Deed") originally constituting the 4 1/2 per cent, Convertible Loan 1993 (the "Bonds") require amendment and clarification in the context of Rank's development plans including the recently announced disposal of the group's Canadian investment property interests. Given the delays inherent in convening a meeting of Bondholders to make the necessary changes to the Principal Trust Deed, Rank requested Rothschild Trust Company Limited, formerly Rothschild Executor & Trustee Company Limited, (the "Trustee") as trustee for the Bondholders to exercise its powers pursuant to Clause 17 of the Principal Trust Deed to ensure in certain arrangements (the "Security Arrangements"). The Trustee, being of the opinion that the disposal and the Security Arrangements were not materially prejudicial to the interests of Bondholders, concurred in their implementation. The Security Arrangements are contained in a trust deed dated 24th January, 1985 (the "First Supplemental Trust Deed"). Details of the Security Arrangements are available in the statistical services of Eutel Statistical Services Limited and are summarised in the separate notice to Bondholders set out below.

The maintenance of the Security Arrangements involves Rank in certain costs and administrative inconvenience. Rank is accordingly convening a meeting of Bondholders for 1st March, 1985 to be held at 11.00 a.m., at the Royal Garden Hotel, Kensington High Street, London W8 4PT, to consider, and if thought fit pass, an Extraordinary Resolution to implement further changes (the "New Proposals") to the trust deeds constituting the Bonds.

If the New Proposals put to Bondholders at the meeting (or any adjournment thereof) are duly approved and implemented the Bonds will revert to their original unsecured status and the annual rate of interest on the Bonds will be increased from 4 1/2 per cent, to 5 per cent, with effect from 2nd March, 1985. If the New Proposals are not approved and implemented the Security Arrangements will remain in force, and there will be no increase in the annual coupon on the Bonds.

The New Proposals will involve, inter alia, the following:-

- the release of the security under the Security Arrangements;
- the amendment of Clause 6(A)(i) of the Principal Trust Deed (which restricts Rank or any Principal Subsidiary from ceasing to carry on its business or a substantial part thereof) including the introduction of a threshold (15 per cent) of the group's gross assets and profits on ordinary activities before interest and tax) below which no disposal would constitute an event of default through a deemed cessation of business; and
- the introduction of a borrowings limit under which group borrowings (less cash deposits freely available to Rank) are limited to 1.5 times shareholders' funds after deducting intangible assets.

Copies of a circular to Bondholders providing background and explanatory information on the Security Arrangements and on the New Proposals which, if implemented, will supersede the Security Arrangements, are available for collection at the offices of Rank and the paying agents as set out below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the New Proposals. It has, however, authorised it to be stated that, on the basis of the information in the circular to Bondholders referred to above, it has no objection to the form in which the proposals are presented to Bondholders for their consideration.

The Board of Rank, who have been advised by S. G. Warburg & Co. Ltd., consider that the New Proposals are fair and reasonable and in the best interests of Rank, its Shareholders and Bondholders. Accordingly, the Board of Rank (through its authorised representatives) writes in favour of the Extraordinary Resolution to be proposed at the Bondholders' meeting on 1st March, 1985 and any adjournment thereof. If an adjournment is necessary, it is expected that such meeting will be held on 22nd March, 1985 and that notice of it will be published on 5th March, 1985.

## NOTICE OF MEETING

NOTICE is hereby given that a meeting of the holders of bonds representing the US\$75,000,000 4 1/2 per cent, Convertible Loan 1993 (the "Bonds") of The Rank Organisation Plc (the "Company") which are constituted by a trust deed dated 15th February, 1973 and a trust deed supplemental thereto will be held at 11.00 a.m. on 1st March, 1985 at the Royal Garden Hotel, Kensington High Street, London W8 4PT, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the trust deeds constituting the Bonds.

## EXTRAORDINARY RESOLUTION

THAT conditional upon and with effect from the execution and delivery by The Rank Organisation Plc (the "Company") and Rank Overseas Holdings Plc ("ROH") of a Second Supplemental Trust Deed (a draft of which is now submitted to this meeting and, for the purpose of identification, initiated by the Chairman) with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree, this meeting of the holders of bonds representing the US\$75,000,000 4 1/2 per cent, Convertible Loan 1993 (the "Bonds") of the Company which are constituted by a Trust Deed (the "Principal Trust Deed") dated 15th February, 1973 between the Company and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee") as trustee and a Deed supplemental thereto dated 24th January, 1985 between the Company, the Trustee and ROH (the "First Supplemental Trust Deed") hereby:-

- sanctions the abrogation of the rights of the holders of the Bonds or of the coupons against the Company and ROH under Clauses 2, 3, 4, 10, 12 and 14 of, and the First Schedule to, the First Supplemental Trust Deed, and the release to ROH of the security fund constituted thereby and sanctions any modification in respect of the rights of the Bondholders or couponholders in consequence of such abrogation and release;
- sanctions and assents to the modification of the provisions of the Principal Deed:-
  - by the revision of the original definition of "Principal Subsidiary" in Clause 1 thereof;
  - by the revision of Clause 6(A)(i) thereof; and
  - by the introduction of a covenant on the part of the Company to restrict the borrowings of the Company and its subsidiaries so long as the Bonds remain outstanding
 all as more particularly described in the circular to Bondholders dated 29th January, 1985 and as proposed to be effected by Clause 4 of the said draft Second Supplemental Trust Deed;
- authorises and empowers the Trustee to concur in and execute a Second Supplemental Trust Deed for the purposes aforesaid in the form of the said draft Second Supplemental Trust Deed with such modifications (if any) within the scope of this Resolution as the Trustee and the Company may agree and to concur in, execute and do all such other deeds, instruments, acts and things as may be necessary to carry out and give effect to this Resolution; and
- sanctions every modification, variation, abrogation or compromise or arrangement in respect of the rights of the Bondholders or couponholders against the Company and against ROH and against any of its or their property involved in or proposed to be effected by the implementation of this Resolution.

Dated 29th January, 1985

Registered Office:-  
6 Connaught Place,  
London W2 2EZ

BY ORDER OF THE BOARD  
B.C. Owens  
Secretary

## NOTES:-

- A Bondholder wishing to attend and vote at the meeting must produce to the Chairman of the meeting the Bonds (or, a valid voting certificate for the Bonds), in respect of which he wishes to vote. Voting certificates may be obtained from any of the Paying Agents for the Bonds (during normal business hours for tender of Bonds or completion of production of the Bonds) for endorsement with a note of the date of meeting. Voting certificates are to be tendered to the Chairman of the meeting on the day of the meeting. Should a Bondholder not wish to be present at the meeting in person, he may either (a) tender a valid voting certificate in respect of such Bonds to the person he wishes to attend on his behalf. During the period of validity of a valid voting certificate, only he may vote on behalf of the Bondholder. The quorum required for the meeting is two or more persons present holding Bonds or voting certificates and holding or representing in the aggregate a clear majority in nominal amount of the Bonds. The quorum required for any adjourned meeting is two or more persons present holding Bonds or voting certificates (whether the principal amount of the Bonds is held or represented).
- Every question submitted to a meeting of Bondholders will be decided in the first instance on a show of hands. A poll may be demanded by the Chairman of the meeting or at least two persons present and holding Bonds or voting certificates tendering holding or representing in the aggregate not less than one per cent. of the nominal amount of the Bonds. On a show of hands every person who is present and produces a Bond or voting certificate has one vote. On a poll every person who is present has one vote in respect of each US\$1,000 nominal amount of Bonds so produced or represented by such voting certificate.
- An Extraordinary Resolution may be passed at a meeting of Bondholders duly convened and held in accordance with the provisions contained in the Principal Trust Deed by a majority of not less than three-fourths of the votes cast thereon. An Extraordinary Resolution is binding upon all the Bondholders whether present or not at such meeting and upon all holders of coupons appertaining to the Bonds.

## AVAILABILITY OF DOCUMENTS

Copies of the circular to Bondholders referred to above, together with the documents specified therein, will be available for collection or inspection as specified in the said circular at the offices of The Rank Organisation Plc, 6 Connaught Place, London W2 2EZ, England, and the offices of the undermentioned paying agents, during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including the day of the meeting and any adjourned meeting and will also be available at the meeting and at any adjourned meeting.

## PRINCIPAL PAYING AGENT

National Westminster Bank Plc,  
Stock Office Services,  
20 Old Broad Street,  
London EC2N 1EL,  
ENGLAND

## PAYING AGENTS

Calcutta, N.A.,  
Coupon Payment Department,  
111 Wall Street,  
New York, NY 10038,  
U.S.A.

Deutsche Bank Aktiengesellschaft,  
Stargartenstrasse 16-24  
D-5000 Cologne,  
WEST GERMANY

Parsons, Hidding & Pierson N.V.,  
Herengade 214,  
Amsterdam,  
NETHERLANDS

Banque Paribas à Luxembourg S.A.,  
2 Boulevard Royal,  
LUXEMBOURG

## The Rank Organisation Plc

(Incorporated with limited liability in England under the Companies Act 1929)

Notice of modification of rights relating to the 4 1/2 per cent, Convertible Loan 1993 of The Rank Organisation Plc (of which US\$41,367,000 in principal amount is outstanding)

The US\$75,000,000 4 1/2 per cent, Convertible Loan 1993 of The Rank Organisation Plc (the "Company") represented by bonds of US\$1,000 each (the "Bonds") was originally constituted by a Trust Deed dated 15th February, 1973 (the "Principal Trust Deed") made between the Company and Rothschild Trust Company Limited (formerly Rothschild Executor & Trustee Company Limited) (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders").

NOTICE IS HEREBY GIVEN to the Bondholders that:-

- In order (inter alia) to facilitate the development of the business of the Company and its subsidiaries, the Company and Rank Overseas Holdings Plc ("ROH"), a subsidiary of the Company, have requested the Trustee to concur in modifications to the Principal Trust Deed involving (inter alia) changes to the definition of "Principal Subsidiary" and to Clause 6(A)(i) of the Principal Trust Deed (inter alia) expressly providing that certain stated categories of transactions shall not constitute an Event of Default under such paragraph. The permitted transactions include actual or proposed sales of real or personal property or other assets by a wholly-owned subsidiary of the Company to another wholly-owned subsidiary or to the Company and, provided they are at full value as between a willing buyer and a willing seller (having regard to all the circumstances of the sale) in money or money's worth, sales by the Company or any subsidiary to any person. In consideration of such modifications, ROH has given a charge in favour of the Trustee by way of first fixed legal mortgage of an amount of cash equal to the aggregate principal amount of the Bonds for the time being outstanding plus one year's and one month's interest thereon as security for the payment of principal, of premium (if any) and interest on the Bonds. The Company will pay the Trustee extra remuneration so long as the security subsists for its additional services in respect of the security; and
- The Trustee, being of the opinion that such modifications were not materially prejudicial to the interests of Bondholders, has concurred thereto in accordance with the provisions of Clause 17 of the Principal Trust Deed. Such modifications are contained in a Supplemental Trust Deed made between the Company, the Trustee and ROH dated 24th January, 1985 (the "Supplemental Trust Deed").

Particulars of the Bonds as so modified are available in the statistical services of Eutel Statistical Services Limited. Any Bondholder who wishes to inspect copies of the Trust Deeds (including the Supplemental Trust Deed mentioned above) may do so at the specified offices of the Paying Agents listed in the Notice to Bondholders set out above.

Dated 29th January, 1985

Registered Office:-  
6 Connaught Place,  
London W2 2EZ

The Rank Organisation Plc  
M. Yates  
Director

## VOLVO IS LATIN FOR 'I ROLL'.

TODAY VOLVO MANUFACTURES (AND DEVELOPS AND DESIGNS AND TESTS AND REDESIGNS AND DEVELOPS...) PETROL ENGINES - BOTH TURBO-CHARGED AND INTERCOOLED, LARGE TURBO-CHARGED DIESEL ENGINES, MEDIUM SIZED DIESEL ENGINES, SMALL DIESEL ENGINES, HEAVY DUTY GEARBOXES, CAR GEARBOXES, GYRO TRANSMISSIONS, HYDRAULIC TRANSMISSIONS, MARINE TRANSMISSIONS FOR WORKING OR LEISURE BOATS, AQUAMATIC DRIVE - WITH OR WITHOUT DUOPROP (COUNTER ROTATING PROPELLERS), FRONT AXLES AND REAR AXLES FOR TRUCKS (SINGLE OR TANDEM DRIVE), FRONT WHEEL SUSPENSIONS AND REAR AXLES FOR CARS...

THESE ARE JUST SOME OF THE COMPONENTS FOR OUR CARS, TRUCKS, BUSES, CONSTRUCTION MACHINES AND BOATS. WE ALSO MAKE JET ENGINES FOR FIGHTER PLANES, ENGINE PARTS FOR ROCKETS...

THAT'S A LOT OF WAYS OF MAKING THINGS ROLL.

VOLVO

## APPOINTMENTS

## Director of finance for British Gas

Mr David A. Atkinson, deputy chairman at Segas, has been appointed director of finance, BRITISH GAS headquarters, from February 1. He joined West Midlands Gas as chief accountant in 1969. In 1977 he was appointed director of finance at Engas and became deputy chairman at Segas in March 1983.

BKL PLASTICS has appointed Mr Roger Smith as managing director from March 1. He is currently manager, BP Chemicals, Polyolefins (UK). He will be located at the London office of BKL Plastics, and will be responsible to Dr Frank Newman who is appointed a director of BP Chemicals on the same day.

Mr Colin Reeves-Smith has been appointed managing director of IPC MAGAZINES WOMEN'S MONTHLIES GROUP. He has also joined the company's main board. He was publishing director.

Mr D. N. E. James has been appointed chairman of CGI PENSION TRUST main pension scheme for Ciba-Geigy's operations in the UK. He has been a director of the Trust company since it was formed in 1971 and succeeds Mr K. M. Townsend

who retired at the end of 1984. Mr James is group information director of Ciba-Geigy.

MOTHERWELL BRIDGE HOLDINGS has appointed Mr James M. Currie, as company secretary.

Mr Antoine P. Peseau has been appointed vice-president at FIDELITY BANK's London office. Mr Peseau, who joined Fidelity in November, is head of the trade finance division at the London office. He previously served as senior international manager at Oriental Credit, in London.

Mr Peter J. Whit has been the new director of the BRITISH ROAD FEDERATION from April 1. At present he is director of information and training at the Cement and Concrete Association.

Mr Michael Montague has joined the board of PRESIDENT ENTERTAINMENTS a theme restaurants group which obtained a USM quotation last June. He is chairman of the National Consumer Council, and chairman of Valor.

KOHLANGAZ FIRE CO, Darlington, has appointed Mr

Philip Malkin, to sales and marketing director from sales and marketing manager. Mr Ray Garrad, to production director from production manager and Mr Mike Sutter, to financial director from financial manager.

Mr Leonard Reece has been appointed finance director of MERLIN PROFILERS.

ALLEGHANY INTERNATIONAL industrial division has appointed Mr Stephen Robinson as director management services, and Mr Ian Barclay, director marketing services. Mr Barclay was director, land and sea systems, for Gravinger, a member of the Al International industrial division. Mr Robinson was director of engineering at Gravinger and responsible for management information services.

The MEXICAN TOURISM SECRETARIAT has appointed Mr Servando Gonzalez, as director for its branch in the UK. His last post in Mexico was director of communications for the Secretariat.

Executive vice president Mr Richard J. Bonds is leaving WELLS FARGO BANK to join the National Life Insurance Com-

pany of Vermont as vice chairman. Assuming his responsibilities is Mr Jacques de La Chauviere who has been appointed senior vice president and division manager, Europe, Middle East and Africa based in London. Mr Mark F. Fries, vice president, presently Wells Fargo's representative in Spain, becomes London branch manager.

Mr R. G. Thompson has been appointed deputy general manager, CITY OF GLASGOW FRIENDLY SOCIETY. He will continue as secretary.

TAYLOR WOODROW has appointed Lord Bellwin as a non-executive director. He served as a Minister with the Department of the Environment for over five years until September, 1984.

Mr Gary O'Neill has been appointed an associate director of ACLI METALS (LONDON).

Mr Richard Gibbs has been appointed an associate director of BRANDTS CONSTRUCTION INSURANCE BROKERS.

Mr Kirti Thakar has been appointed an assistant director of ROXBURGH GUARANTEE CORPORATION.

## UK NEWS

## Ponting trial may spur official secrets reform

THERE SEEM to be no inhibitions, legal or otherwise, on the ceaseless stream of public comment on the prosecution of Mr Clive Ponting, a senior civil servant in the Ministry of Defence, for supplying documentary material to Mr Tam Dalyell, MP, relating to the sinking of the Argentine cruiser General Belgrano by a Royal Navy submarine during the Falklands war.

The discounting of the sub-judice rule by the commentators is not an aberration but symptomatic of the increasing demand by the public that it should know a great deal more about what is done by government in the name of the body politic.

If Mr Ponting's trial, which began yesterday at the Central Criminal Court in London, has its intrinsic interest, it is the context in which the Crown uses the ill-starred and much maligned Section 2 of the Official Secrets Act 1911 that arouses the greater interest.

Civil libertarians have concentrated their agitation in the past week on the fact that the case - which had previously no national security element in it, but only the crucial question of a public servant's loyalty to the Crown - had suddenly attracted a security aspect. Some of the trial is now to be held in camera and consequently the jury panel has been vetted by security officers.

The expectation is that the trial itself will mainly have interest for what Mr Ponting is going to say when he gets into the witness box. How much more will he reveal about the Government's handling of information about the sinking of the Belgrano after the end of the Falklands conflict?

The lawyers will have particular interest in seeing whether the judge, Mr Justice McCowan, leaves the issue to the jury of the public duty defence, namely, whether a civil servant has a higher duty to parliament and to the public than his undoubted duty to ministers and to the Crown.

Of abiding interest in official secrets cases has been the constitutional role of the Attorney-General. What influence, if not direct or indirect insistence of political considerations, led the Attorney-General to authorise Mr Ponting's prosecution? The allied question is the use of Section 2 in a case such as this.

Ever since 1924, attorney-generals have been sensitive to any suggestion that their prosecutorial role has been dictated by political

considerations emanating from their ministerial colleagues.

In that year, the first Labour Government took office and instantly ran into trouble.

The Workers Weekly, the organ of the Communist Party, published seditious articles and incitements to mutiny in the armed services. This was too much for Mr Ramsay MacDonald, the Prime Minister and his Cabinet. Sir Patrick Hastings, the Attorney-General, who had had little political experience during a career of outstanding advocacy at the Bar, authorised the editor's prosecution. The left-wing of the Labour Party in the House of Commons was up in arms and the prosecution was largely abandoned, with unfortunate results for both the extremists and moderates in the Government.

The Liberals, egged on by the Conservatives, pressed for an inquiry into the conduct of the Attorney-General and a vote on the question went against the Government. Their decline accelerated by the Zinoviev letter, the Prime Minister and his Cabinet were defeated in November 1924 and replaced by a Conservative administration with a comfortable majority.

The classical statement of the role of the Attorney-General since then has been that, in deciding whether or not to authorise the prosecution in the interests of the Crown, the Attorney-General is entitled "to acquaint himself with all the relevant facts, including the effect which the prosecution (successful or unsuccessful) would have upon public morale and order. The one thing he may not do is to consider the repercussions on the Attorney-General's personal or his party's or the Government's political fortunes."

Thus he may properly consult his political colleagues for the purpose of informing himself adequately on all the relevant considerations. What is constitutionally impermissible is for him to defer to his political colleagues. Sir Michael Havers has persistently stated that he adhered faithfully to the constitutional doctrine.

Section 2 of the official Secrets Act makes it an offence for any civil servant to communicate any document or information to an unauthorised person, such person being also liable to be prosecuted for receiving the unauthorised information. "Unauthorised person" effectively means everyone outside the Crown

employment including, therefore, an MP.

As Sir Martin Furnival-Jones, a former head of the security service, told the Franks Committee, set up in 1971 to review the operation of Section 2: "It is an official secret if it is in an official file." Even that was too narrow a definition, since the information can be communicated orally and not be from any file.

Given this wide definition, civil servants break the law every day of the week. What might offend against the law is, moreover, determined by the Government of the day. Any minister may reveal information about his policies and decision-making. This is, in fact, how advance information is supplied to the parliamentary press lobby. In short, what constitutes an offence is entirely arbitrary.

The Franks Committee recommended the abolition of Section 2, to be replaced by an Official Information Act. Almost every politician - when not in power - and every independent commentator has echoed that sentiment. The Labour Party in its election policy statement of October 1974, promised to replace the section "by a measure to put the burden on the public authorities to justify withholding information."

That promise was never honoured. The section remains. A highly restrictive Official Information Bill was promoted by the present Government, but was hastily withdrawn in the shadow of the revelations of the Anthony Hunt "spy-master" affair. The campaign for a Freedom of Information Bill continues to attract wide public support.

The immediate future of the campaign for more open government may be materially affected by Mr Ponting's trial. If Mr Ponting is acquitted by the jury, presumably on the ground that a civil servant does have a higher duty to report to parliament and members of parliament than he does to his masters, that would drive another nail into the coffin of Section 2. But so many nails have been driven in before, without burying the provision, that no one is sanguine about legislative reform.

Reformers might take greater comfort from a conviction, particularly if it was coupled with a prison sentence. A martyr to a cause always tends to propel the desired change.

Justinian

## CAA gives backing to airports expansion

By Michael Dome, Aerospace Correspondent

STRONG SUPPORT for the development of both Stansted in Essex and a fifth terminal at Heathrow, London, to meet air travel expansion to the end of the century is given by the Civil Aviation Authority (CAA) in a study published yesterday.

The CAA thus joins other groups in the air transport industry - including the British Airports Authority and airlines such as British Airways and British Caledonian - in arguing that further expansion of London and other airports in south east England is essential to cope with expected air travel demand. The CAA study is published on the eve of tomorrow's controversial House of Commons debate on the future of airports policy.

Many MPs from all parties oppose development of London's airports, believing that further development of airports in the Midlands and the North and Scotland need priority. The aviation lobbies argue that, while they also support the development of the regional airports, the London and south east airports also need to be expanded because that is where the bulk of future air travel will arise.

The CAA study shows that even if a fifth passenger terminal were to be developed at Heathrow, the present proposed limit of 275,000 air transport aircraft movements a year at that airport were to be abolished, there would still be a need to develop Stansted.

The study thus agrees completely with the recent report from Mr Graham Eyre, QC, the inspector at the public planning inquiries into proposed developments at Stansted, that they are not only desirable, but essential to cope with future air traffic in the London area.

It shows that more runway capacity will have to be brought into operation by 1990, because the capacity of the existing runways at Heathrow and Gatwick (south of London) could not cope, even if adequate additional passenger terminals were built at those airports.

The CAA concludes from that that "Stansted's existing single runway offers an opportunity to meet this need" - and that Stansted should, therefore, be developed.

## CONTRACTS

## £6m for Balfour Beatty

Three building contracts at over £6m have been awarded to Balfour Beatty Construction for work in Edinburgh. The first, placed by London & Metropolitan Estates for completion in 18 months, is for construction of a four-storey office block at 118-124 George Street, Edinburgh. The Georgian facade of the original building is being retained, and the work follows the completion of a contract, also being carried out by Balfour Beatty, for demolition of the building behind the facade. The second, worth £600,000, is for the upgrading of Red Home at the Edinburgh Royal Infirmary. The work comprises alterations and refurbishment to an existing Victorian two-storey building, used as a medical residence and offices. Completion will be in nine months. The Trustee Savings Bank has placed a contract with the company for refurbishment and alterations to premises at St John's Road, Corstorphine, Edinburgh. The four month contract is valued at £154,000.

Liverpool City Council has appointed the EDVIS design and management team to build three standardised sports halls. These are scheduled for completion in

August with a total cost of over £2m. The SASH (Standardised Approach to Sports Halls) concept provides an "off-the-peg" sports hall, the basic design of which is planned to accommodate a wide range of sporting activities. Each basic unit takes on average 37 weeks to construct, although this can be reduced. Construction is divided into sections and much is let to local sub-contractors.

Work has recently begun on a £2-week project for the Welsh Health Technical Services Organisation. Worth around £250,000, the FAIRLOUGH BUILDING, the contract is designed to ensure that the site is made ready for all future developments at the hospital, where a number of additional facilities are currently under consideration.

DELTA CAM SYSTEMS, Birmingham, has won an order worth £100,000 from STC Telecommunications for a CAD/CAM system to be used for the mechanical design of telephones.

American ocean racing yachtman Mr Huey Long has chosen SOUTER SHIPYARD of Cowes, Isle of Wight, to build his new

35 ft Maxi racing yacht "Ondine 8". The contract is valued at £12m and building will start immediately for delivery in December 1986. Designed by German Freres, Ondine 8 will be built in "Hi-Tech" composite materials including carbon fibre, Kevlar and Nomex foam.

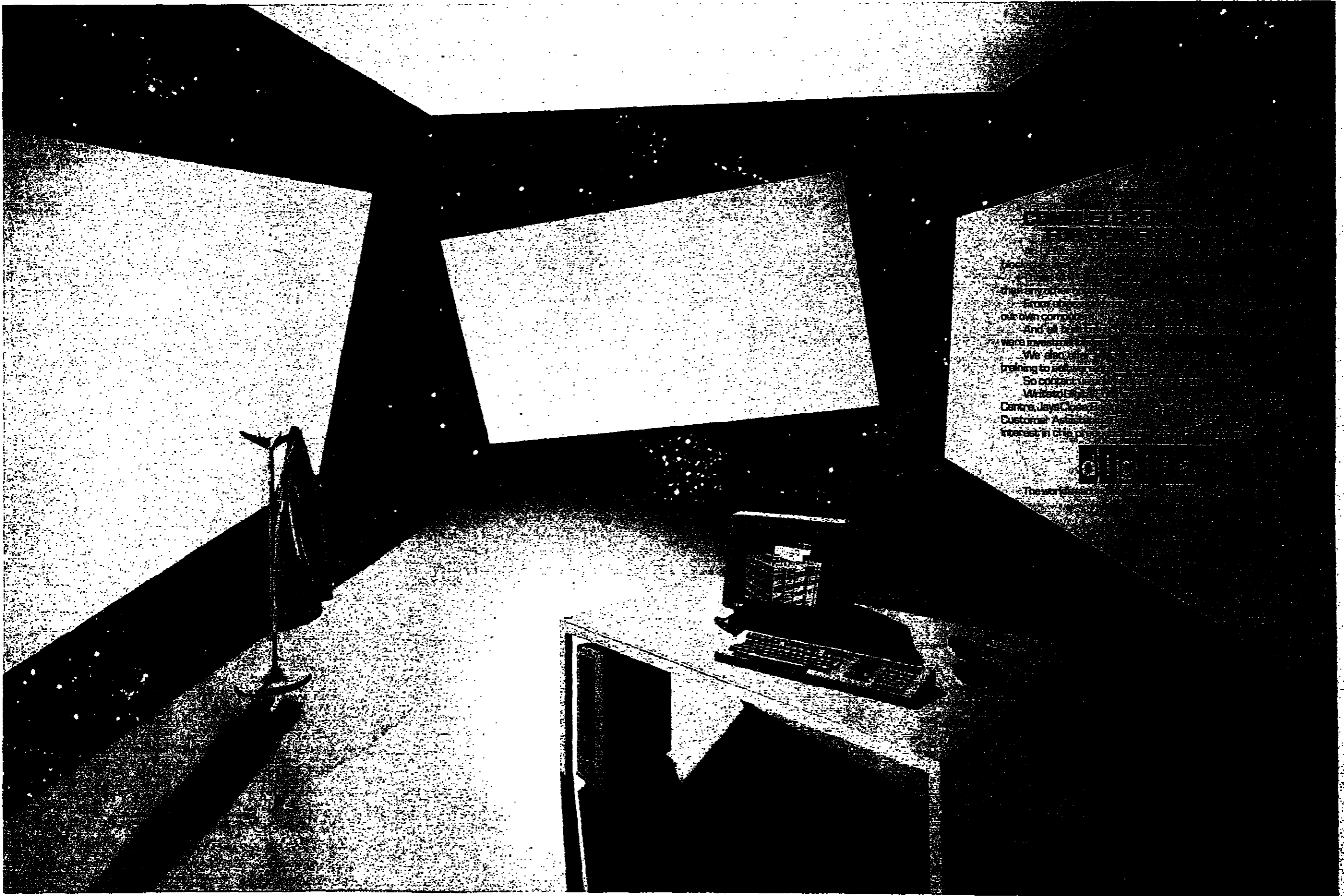
MORRISON-KNUDSEN CO. INC., of Boise, Idaho, has received a contract totalling about \$60m (\$44m) for the renovation of 236 electric-powered mass transit railway cars. The contract was awarded by the New York City Transit Authority. The project will begin in mid-1985, with completion expected late in 1986. All of the cars will be renovated at M-K's industrial complex at Hornell, New York. Work includes complete overhaul of the cars' electrical, mechanical and ventilating systems, as well as the refurbishing of passenger seating and painting.

A £1.5m contract for mechanical work associated with the new Department of Health blood products manufacturing unit at Elstree, Hertfordshire, has been awarded by Matthew Hall Norcain Engineering to Liverpool-based UNITED KINGDOM CONSTRUCTION AND ENGINEERING CO, part of West's Group International. It comprises installation of 600 items of mechanical equipment and includes

fabrication and installation of about 30,000 metres of piping, half of which is stainless steel. All the work being undertaken will have to comply with the stringent clinical conditions applied to the plant. Work has started for completion in autumn.

WILCON CONSTRUCTION, building division of Northampton-based Wilson (Connolly) Holdings, has been awarded a £15m contract for a shopping centre at Anchorage Park, Portsmouth. The 46,000 sq ft development has a 35,000 sq ft supermarket let to Safeway Food Stores, two standard shop units - one already let to NatWest Bank - and also incorporates a public house. Work is scheduled for completion by end of November.

Phillips and Drew, stockbrokers, has engaged CONSULTANTS (COMPUTER AND FINANCIAL) to embark upon Phase II of a near £1m computer software and hardware installation together with support systems. The new order follows completion of Phase I to supply the FISCAL stockbroking system. Phase II will comprise a nominee/depot module, a private client valuation module, a fund management system and a moneymarket brokerage system.



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## UK NEWS

# Nissan seeks takeover of its UK importer

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

WITH ONLY 18 months to go before Nissan's first British-built car leaves the assembly line, the group will shortly open negotiations to buy the privately owned company which imports its cars to the UK, Mr Nobuyuki Toba, general manager of the Japanese company's new British subsidiary, said yesterday.

He also admitted that Nissan would have to improve the image of its cars in Europe if the UK assembly operations - involving the annual output of 24,000 cars a year at Washington, Tyne and Wear - were to be successful.

Mr Toba pointed out that Japanese cars in general no longer represented the value for money they once did in Europe. In the past two or three years in particular the European manufacturers had caught up with the Japanese in terms of fuel economy and the high level of specification offered in their cars.

The value of used Nissan cars in Britain has also suffered because they have a reputation for rusting more quickly than average. Mr Toba acknowledged this but said it could not be put right overnight.

Next month, however, the UK import company will begin offering a six-year warranty against corrosion on all new cars as part of a world-

wide effort by Nissan to address this particular problem.

If the UK assembly plant, with its low output and relatively high costs, is to pay off, Nissan must find ways to move its cars up-market, to differentiate them from those produced by other manufacturers.

It might also attempt to innovate on the service side of the business. In Japan, cars to be serviced or repaired are collected from the customer's home or workplace and delivered back there when the work is done. "We think that would appeal to British people as well," said Mr Toba.

The drop in the value of the pound against the yen - 15 per cent in the past year - is making the assembly plant look increasingly uneconomic and it is no secret that Nissan would like to bring forward plans for a 100,000 cars-a-year manufacturing facility with a high level of European components at Washington.

However, as Mr Toba pointed out yesterday, Nissan would build only about 2,000 cars in Britain in 1986 and it was unlikely that a decision about full-scale manufacturing could be made before the middle of 1987.

He acknowledged that Nissan dealers in Britain were at present having a much more difficult job to sell the cars and that some had been giving up the franchise as a result.

Nissan cars have been imported and distributed in the UK since 1970 by a private company founded by Mr Octav Botnar, a German who is still the chairman.

Mr Botnar has an open-ended contract with Nissan, but has indicated he would be willing to sell the import company - one of the most profitable in the business with taxable profits of £51m on sales of £382m in the year to July 31, 1983.

In view of Mr Botnar's age - he is thought to be in his 70s - and the fact that he has no heir to succeed him, Mr Toba said, "we must talk to him soon" about buying the company.

He accepted that there was some friction between some dealers and Mr Botnar. "We don't mind losing dealers who drop out simply because they can't compete in the present difficult conditions in Britain."

"But we will miss those hard-working dealers who have left because of misunderstandings with the importer-distributor."

THE MEN who have sustained the miners' strike have been the elected lay officials: the activists, many of them strongly left-wing, who form a unique cadre. It is they who must be convinced any agreement is acceptable before it is accepted; they who must attempt to blow new life into a dying strike if it is not.

None of them thinks the National Union of Mineworkers (NUM) will "win" the strike - the belief which was the official union line until this month. Many believe that real concessions are necessary; many that a failure in talks will result in a massive drift back to work which would end the strike anyway. Some are already critical of the strategy and tactics. All are apprehensive of the effects on the union.

Most do not believe that the settlement can wholly on the National Coal Board's terms. Better, they think, not to sign in such a case. Most insist that at least some of the 600 men dismissed during the strike - those sacked for relatively small offences - must be reinstated. Some think all must come back before a deal is possible.

Many point to the mechanism which now comes into play: that any deal between the board and the union must be ratified by a delegate conference, which was empowered early in the dispute, with the full authority to continue or to call off the strike. That same conference could decide that there should be a ballot, a possibility which some believe will happen.

## Pit activists seek honourable compromise

David Goodhart and John Lloyd assess the attitude of miners' union activists towards the talks which open today between the National Coal Board and the union to try to settle the 10-month pit dispute.

It is fears of an imminent crack in the Yorkshire heartland of the strike that has been an added pressure on NUM leaders in the past few weeks.

Mr Derek France, an official from Silverwood colliery, where only 25 men out of 1,200 are working, admits: "There is a very great danger of a return if we don't solve it now. The men are no longer just hungry, they're cold and hungry."

He added: "There is now a mood for compromise. But we've got to satisfy people that it hasn't all been a waste of time and walk back with our heads held high."

To Mr France that means reinstating at least those members sacked for minor offences such as stealing coal, but Mr Dave Douglass from Hatfield Main colliery in the Doncaster area, where only 1 per cent of the men are working, said an amnesty had to be total.

He said: "They've accepted back working miners who had been sacked following quite serious incidents and we are going to accept no less."

Yesterday's NUM area council in North Derbyshire - the traditional

"barometer" area where just over half the workforce is now back at work - supported the compromise position on amnesty.

One official said after the meeting: "No one admitted it, of course, but to be frank we were talking about surrender terms."

Mr David Crowther, another official, admitted that there would be recriminations if, as seems likely, the union accepts a deal similar to one it could have had last October. The union would remain intact, however. "Of course a lot of left wingers will lose their positions in the April branch elections, but the people who led the back to work movement have failed to win much support from working miners."

Mr Jack Collins, the Kent area secretary and an influential figure on the NUM's left wing, called his activist contacts around the country at the end of last week. He discovered he said, that "the strike's not over. They're saying, sure, the lads are having a hard time and they want a settlement, but if they have to they'll stick it out, no doubt about that."

Mr Alan Fidler, one of the few Nottinghamshire striking miners,

Wales has its limits and these are now being reached. "We can't go on forever holding out. I think if the talks produced some sort of fudged settlement it will be accepted. Men in South Wales have got the strong feeling that we've been left out on a limb."

He is sharply critical of the union's tactics. "It was fought with the tactics of the 1960s and 1970s and it wouldn't work now. We had to do to them what they did to us: isolate them."

Mr Baker adds: "I don't think we'll go back broken. I think the morale is still fairly high. We'll have terrible problems but we're not finished."

Mr Terry Harrison, branch chairman at the Betteshanger pit in Kent, has a personal stake in the issue of reinstatement. He was dismissed in June last year with 28 of his pit comrades for occupying the pit. The dismissals took him by surprise and he says that reinstatement is an absolute precondition of agreement.

"We may have to pay for it in other ways, though. They may force us down on the issue of economic closures. There's a lot of pressure on us now, and if the talks fail there'll be a further big drift back to work. But there's pressure on them too. If they don't get agreement then what? They'll be faced with maybe 40 per cent of the miners out indefinitely, especially in Yorkshire - and Yorkshire is a lot of the coal-field. They need these lads to accept."

## Flotation of British Telecom cost £190m

BY PETER RIDDELL, POLITICAL EDITOR

THE FLOTATION of British Telecom (BT) last November is now officially estimated to have cost about £190m. This is roughly double the expense of all the other privatisation issues since 1979 put together.

A series of parliamentary written answers produce this total after taking into account commissions, fees for advice, advertising the prospectus and marketing the value of free and matching shares supplied to BT employees and initial banking registration work.

The estimate excludes, however, the cost of supplying telephone rental vouchers and bonus shares to shareholders. The answers, mainly from the Department of Trade and Industry, show that in detail:

● Underwriting both the UK and overseas portion cost £22.4m.

● Commissions amounted to £79.1m.

● Fees for advice from merchant bankers, brokers solicitors, accountants and so on cost £7m.

● Advertising and other marketing costs including the prospectus amounted to £17.5m.

● Miscellaneous direct costs were £2.5m.

● The value of free and matching shares to employees was £51.5m.

● Cost to bankers of receiving applications and initial registration work is estimated at about £10m.

A written answer from the Treasury just before Christmas gave an estimated cost to the Government (excluding British Telecom) of £107m, for fees and commissions to underwriters, financial and legal advisers, auditors and stockbrokers.

## BTR bid for Dunlop attacked by union

BTR's £33m bid for Dunlop, the debt-laden tyre and rubber products group, was sharply attacked yesterday by the General, Municipal and Bolemakers Union (GMBU), which claims a total of more than 9,000 members at the two companies.

Mr David Warburton, secretary of the Dunlop unions and national officer of the GMBU, said he viewed the motives of BTR, a broadly-based conglomerate with many activities similar to those of Dunlop, with deep concern.

"BTR's track record of job cuts and acquisitions holds no appeal for us. Owen Green (the BTR chairman) has made no guarantee on jobs or on maintenance of Dunlop operations in the UK," he said.

The union claims to have more than 4,000 members out of Dunlop's 17,000 UK employees and more than 5,000 at BTR, which is believed to have about 30,000 employees in more than 100 subsidiaries in the UK.

Mr Warburton claimed that BTR had a record of inadequate pay rates in its subsidiaries and had "consistently refused to meet us at national level even on sick pay."

He added: "I see no reason why we should welcome BTR's bid. If BTR fails and we seek to stop Dunlop's refinancing plan, this will tell us more about BTR's real intentions than anything else in this episode."

Dunlop is chaired by Sir Michael Edwards, who has launched a campaign to lobby support for a £142m refinancing package and to consolidate opposition to the BTR bid.

□ A JAPANESE company told 200 striking members of the Transport and General Workers' Union that they would be dismissed unless they returned to work by Thursday.

IKK, a zip fastener company based at Runcorn, in north-west England has had a pay dispute with its workers since January 7. It is the first dispute at the plant for four years and one of only a few since the company set up in the UK 12 years ago.

□ CITY OF LONDON dominance of the UK financial services industry could diminish as a result of the changes now taking place within the industry, according to the Governor of the Bank of England.

Addressing a dinner of the Scottish Institute of Bankers, Mr Robin Leigh-Pemberton said: "One of the results of advances in technology is that exchange floors and physical market places become much less important."

□ WHITEHALL is becoming increasingly worried about its failure to recruit young administrative trainees of the right calibre. Figures show that the Civil Service has been unable to fill all its vacancies in this sector for the third successive year.

□ BRITAIN and Norway achieved record oil production in December in spite of the downward pressure on world oil prices. Wood, Mackenzie, the Edinburgh-based stockbroker said, UK production averaged 2.58m barrels a day, while output in the Norwegian sector of the North Sea reached 860,000 b/d.

□ DELAY in the privatisation of British Airways (BA) has meant that the flotation could coincide with pay negotiations for all employees.

Union leaders are delighted about the delay, caused by BA's continuing problems in U.S. courts over a claim by the liquidator of Lakes Airways for damages of more than \$1m. They believe that privatisation in the second half of the year will greatly strengthen their hand in pay talks at a time when BA will be anxious to avoid any disruption which could damage its image.

□ Lenient budget treatment for higher strength wines such as port, sherry and vermouth is advocated by the Wine and Spirit Association. It says sales of these wines have performed badly over the past few years, partly a result of taxation policies.

□ MOLINS, the tobacco machinery manufacturer, is delaying the closure of its Northern Ireland factory for a month to give the labour force more time to launch its own engineering company employing 200 workers. The factory was due to close last week with the loss of 437 jobs.

□ EVER READY is to make 121 workers redundant at its County Durham factory which makes the high-selling Silver Seal range of batteries. It said export business had experienced a downturn.

□ MCGRAW-EDISON, the U.S. industrial company, has paid nearly £20m for a leading UK manufacturer of electrical equipment for power generating sets. It bought Newage Engineers of Stamford, Lincolnshire, from Charterhouse J. Rothschild in an unpublished deal late last year.

□ MACHINE TOOL business picked up sharply in the three months to October, according to latest Government figures. Total new orders soared by as much as 22 per cent over the previous three months.

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## Letters to the Editor

## A fixed cross-Channel link

From Mr R. Bonwit

Sir—After reading Andrew Taylor's comprehensive survey (January 23) of the state of play in the preliminary planning for a fixed cross-Channel link and the appended note on the political issues involved, one begins to wonder whether our Government is really interested in the success of such a venture. The Government's insistence on leaving the initiative entirely to the private sector may not have been inspired solely by the known preferences of the Conservative Party leadership. It begins to look as if this was a ploy to defeat French demands for a fixed cross-Channel link in the foreseeable future without apparently vetoing it. For many years the Japanese have been quietly and patiently working away on a rail tunnel linking the main island with the island of Hokkaido under the length of this link is almost exactly that of the tunnel originally planned — and started — between Folkestone and Sangatte, near Calais.

The work was entrusted to a semi-state enterprise, the State Railway Construction Corporation, and the cost did not impinge on the budget of its future user. Work was planned in such a way as to accommodate both the needs of passenger and freight trains of the state railways and the standard gauge Shinkansen bullet train network which

should eventually reach the tunnel.

Problems besetting the final approaches to central Tokyo have been solved through a compromise with the neighbouring Saitama prefecture which, with Government assistance, will acquire a local rapid transit line to compensate it for loss of track space on the final extensions. The overriding consideration in favour of the tunnel was the saturation of the direct air links between Tokyo and the cities of southern Hokkaido.

We are less perceptive when we separate the "costing" of a Channel tunnel from the planning of additional airport and air path facilities in Greater London: city-to-city rail services over electrified lines through a Channel tunnel would cut demand for air services on the many short routes where real travelling time by rail would become competitive with flying.

It will be noted that the Japanese preferred a rail tunnel to a combined rail and road link across the straits.

Half Bonwit, Sorby, Kila Lane, Binsfield Heath, Henley-on-Thames.

## An inflexible monopoly

From the Managing Director and Registrar, Dover Harbour Board

Sir—Andrew Taylor's article (January 23) about the various schemes for bridging over or boring under the Channel was admirably balanced but, in fact, only touched on some of the problems involved in the creation of any sort of fixed link. None of the creators of these plausible schemes and pretty models has ever suggested that his project will make the Channel crossing any better, relying instead on vague notions of general political and economic benefit to "justify" the case.

None of them has claimed, for example, that crossing the Channel will be significantly cheaper than the ferries, if at all. Time saving benefits are likely to be minimal as most of the delays and frustration experienced when crossing the Channel are caused by government procedures—such as collection of VAT on imports. In these circumstances, it is difficult to see how any of the

schemes will improve cross-Channel travel.

Nor are the alleged employment benefits easy to discern. Any jobs created would be short term—during construction—with a significant number of jobs lost in the long term.

Either the above arguments are right, in which case any fixed link will be a financial disaster and a grave waste of resources or they are wrong in which case, the present flexible, diverse cross-Channel transport industry will be replaced by a monolithic, inflexible monopoly. There is no middle course. Given the huge capacity represented by a fixed link and the different capital structures and operating costs of the two modes, one and only one will be able to succeed. In every one's interest, not just the present ferry and port operators, it should be the one more able to react to changing market situations.

J. F. Sloggett, Harbour House, Dover, Kent.

## Taxation of pension funds

From the Pensions Director, Prudential Assurance Co.

Sir—I was very interested in Lex's views and arguments (January 21) with regard to taxation of pension funds. May I be permitted to add two points to this debate with regard to the retrospective effect of taxing pension fund investments proceeds.

Many of the retired population of this country receive a pension from one or more occupational pension schemes. These pensions arise from the proceeds of investments made by the tax free investment income they have and will continue to generate. If that income were to be taxed an additional cost will fall on the employer. He may be unwilling or indeed unable to accept the additional liability. In which case the pensioner's income will be reduced.

Many occupational pension schemes accepted contracted-out liabilities on the basis of a National Insurance rebate. This was calculated on the assumption that pension fund proceeds would be free of tax.

Unless the Government is willing to increase the contracting-out rebate retrospectively to allow for future taxation of investment proceeds, the option to cease contracting-out will be financially very attractive to many employers.

A. F. Benke, 142, Holborn Bars, EC1.

Raymond Nottage, 36, Arkwright Road, NW3.

H. M. Wine, 53 Christchurch Road SW14.

It is clear that existing roads are inadequate. If new roads are going to be built, who will pay for them? Will the Government look to private capital, as for the Channel Tunnel, and, if so, can we expect a massive rights issue from British Airways a year or after flotation?

How are all these extra people going to get to Heathrow? With only three terminals operating,

## The multi-fibre arrangement

From Professor Z. A. Silberston

Sir—Mr Bradley's desire (January 22) to protect the UK textile and clothing industries from further import competition is understandable, but I cannot accept his criticisms of my report on the multi-fibre arrangement.

I advocated a gradual phasing out of the MFA, on the grounds that this would benefit UK consumers and also have desirable macroeconomic effects for the British economy. At the same time, newly industrialised and developing countries would be freed from the present constraints on their exports of textiles and clothing.

Mr Bradley suggests additional ways of eliminating quota rents. A new agreement might be negotiated under which importing rather than exporting countries would administer quotas. Alternatively, the MFA might be abolished and the output of the British textile and clothing industries subsidised.

A new agreement under which importing rather than exporting countries would administer quotas would indeed be a transfer of quota rents to importing countries, but it would continue to restrict exports from the poorer countries, and would subject them to fierce competition between themselves for the limited market.

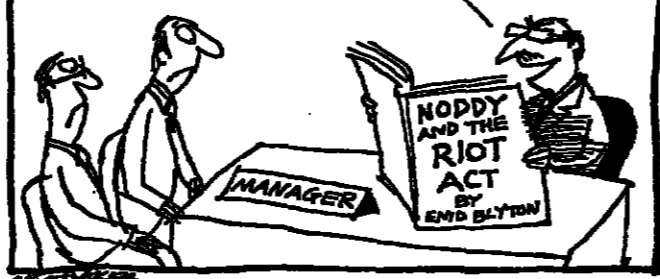
If the MFA were abolished, and the output of the British textile and clothing industries were subsidised, how large

would the subsidy need to be? If the MFA were to go, a gap in the UK of £5m per annum would result from a better world allocation of resources. Mr Bradley argues that the cost of saving the 10,000 to 50,000 jobs that might be lost in this country would be this £5m per annum only, i.e. £100 to £500 per job per year. I estimate, however, that the phasing out of the MFA might reduce the revenue of the UK textile and clothing industries by £165m per annum. It is this figure which gives the magnitude (at present levels of trade) of the annual subsidy that would need to be paid to these industries. It would represent a transfer from consumers to producers in this country, and would work out at £23,500 to £16,500 per job saved per year.

Other aspects of the subject need to be considered. The macroeconomic calculations carried out for my report by Cambridge Econometrics suggest that if the MFA were abolished, net employment in the economy as a whole (after taking account of the decrease in textile and clothing employment) might rise by 37,000 by 1992, and 61,000 by 1997, and that GDP might rise by some 0.5 per cent per annum by 1997. These phasing out of the MFA would also encourage changes in the structure of industry in this country and move us nearer to a structure which reflects our present comparative cost situation.

I share Mr Bradley's concern for those in the UK textile and clothing industries, but I had to balance that concern with the interests of consumers and of the British economy generally. Mr Bradley has not tried to do this, and has also (as I have pointed out) ignored the claims of low-income exporting countries. (Professor) Andrew Silberston, 53, Prince's Gate, SW7.

## ARE YOU SITTING COMFORTABLY? THEN I'LL BEGIN...



## Full of management insight

From the Managing Director, Adsearch

Sir—I read with interest Christopher Lorenz's report (January 25) on the suggestion that the Le Carre novels can give insights into effective management methods. As a consequence, I decided to test for myself the wider thesis that any work of fiction can be used as a metaphor for management.

I therefore entered my nearest bookshop and asked an assistant to select a book randomly from the shelves: she happened to choose Ms Enid Blyton's timeless volume "Noddy goes to work".

This contains a series of chapters which are literally teeming with insight for top managers. From an extensive list, here are some examples: Noddy cleans his shoes with a bit of paper from the back of a shoe brush; thus demonstrating to managers the value of resourcefulness in the absence of the appropriate raw materials, as well as a high regard for personal appearance. At spring-cleaning time Noddy

offers himself to householders as a chimney-sweep and points out how effective his service will be because he has plenty of spirit in him: a clear instance of emphasising your unique selling proposition in a fiercely competitive marketplace.

After cleaning the chimneys he proceeds to clear his customers' houses of rubbish which he then deposits in a sack and used in his own home: an example not only of selling additional services to existing customers, but also of recycling hitherto useless waste product on a profitable basis.

Ms Blyton's body of work clearly holds a vast array of instructive information for managers everywhere. Not only that, but she has published far more books than Mr Le Carre, they come with coloured pictures, and most importantly for many managers the words are very short and the type is extremely large.

Peter Jackson, 34 Richmond Hill, Richmond-upon-Thames, Surrey.

## Declining demand for coal

From Mr A. Cox

Sir—In your editorial (January 24) "One step forward for democracy" you stated that the Central Electricity Generating Board could possibly step up its purchases to 10m tonnes or more, and that this would not have a disastrous effect on the National Coal Board.

After the current strike has been settled and the depleted stocks rebuilt, the NCB will probably be faced with declining demand in virtually all its major markets.

Encouraging greater imports, while promoting competition,

will probably lead to a further round of colliery closures (especially in sensitive areas such as the North-East) which are dependent on the CEBG.

What is now required is investment in new technology and infrastructure to ensure that more collieries become "economic"—not a wave of destructive imports which would further undermine and weaken the NCB.

Andrew W. Cox, University of Newcastle upon Tyne, Merr Court, Claremont Road, Newcastle upon Tyne.

## Euro grants for improvements

From the Head, London Office, Commission of the European Communities

Sir—Men and Matters (January 25) has got it quite wrong about the Euro grant to a demolished mill in Tameside. The mill was indeed included in the submission for a European regional development fund grant which the local authorities helped put together. This submission, however, was never intended to be more than

an indication of needs. It is only since November—when a £5m grant for this area of textile closures was approved—that the Department of the Environment has started to approach local authorities for formal submissions of schemes such as conversion of derelict premises and improvement of run-down areas which can benefit from this allocation.

George Scott, 8, Storey's Gate, SW1.

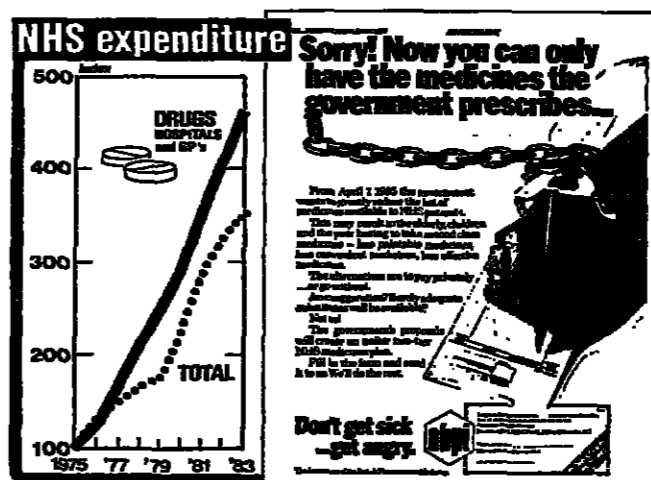
## A step forward for democracy

From Mr R. Riding

Sir—How apposite was the headline "One step forward for democracy" for Christopher Dunkley's article (January 23). Two of the three chairmen of political programmes featured in it were up together at the same Oxford college—the one which has provided more

22 members of the Commons in the current Parliament (all on the Government side incidentally) and last but by no means least the Lord Chancellor, the televising of whose House was the basis of the

## UK health costs



## Take only as directed...

By Carla Rapoport and Lisa Wood

The new restrictions will be the poor and elderly, who are currently exempt from paying NHS prescription charges. When the new list comes into effect in April, those patients wishing restricted products for their colds or flu will have to buy the drugs themselves.

In fact, claims on both sides are exaggerated. The government's cut in drug companies' profits in late 1983 had no visible effect on the industry's investments or employment.

The restricted list will hit only a handful of companies quite hard—notably Wyeth International, Hoffmann-La Roche, Eli Lilly and Reckitt & Colman's drug division. But equally large companies like Merck, of the U.S., Glaxo, Beecham, and other large drug companies are not shuddering over the restricted list. These companies fear that the restricted list may be the thin edge of a long wedge, but this is something the Government has repeatedly denied.

As for the elderly and poor, the NHS will be dispensing similar products to those currently available. Assuming we get the list right, the patient will get something just as good from the doctor," says Mr Clarke. "I don't subscribe to the sudden concern for the poor from the drug industry," he says.

Criticism can be levelled at the Government, however, for unveiling the new list in a ham-

pered way, without any prior consultation with outside parties. For the industry's part, however, blame has to be apportioned for its ostrich-like stance on the likely arrival of these cuts.

"I find it a tragedy that such a sophisticated industry has to press the panic button over what has been on the cards for years," said Mr Hugh Elwell, a chairman of the Health Group at the Centre for Policy Studies, a conservative UK think-tank. "The Government has been talking for years about limiting drug prescribing, all the industry has been able to do is protest."

"These things could be sorted out in a reasonable way, with a reasonable debate," says Dr John Griffin, director of the Association of the British Pharmaceutical Industry. "But there is no debate with this Government. There is only polarisation."

The winds changed swiftly with the appointment three years ago of Messrs Clarke and Fowler, two men without extensive industry contacts who saw the escalation in expenditure on family medicine as out of control. The two men were also influenced by several recent studies on the excess and unnecessary numbers of similar drugs available in Western markets.

One such study was co-authored by Dr Griffin when he

was working for the Government in 1981. In it, he stated: "Instead of limiting the numbers of drugs that are... quite similar to those available, many drug companies are copying... successfully therapeutic principles with the result that an abundance of analogous drugs is offered."

"The Health Service can't buy unnecessary products," said Mr Clarke forcefully. However, he quietly accepts the case that the restricted list sprung on the medical and commercial community last November may need some alterations.

In fact, the mechanism of the new list has left most patients and doctors confused. Even Mr Clarke is sometimes tripped up. He recently said that doctors wrote prescriptions for Distalgic, a best-selling painkiller, because they could not remember the chemical, or generic name for the product. In fact, there is no generic equivalent for Distalgic.

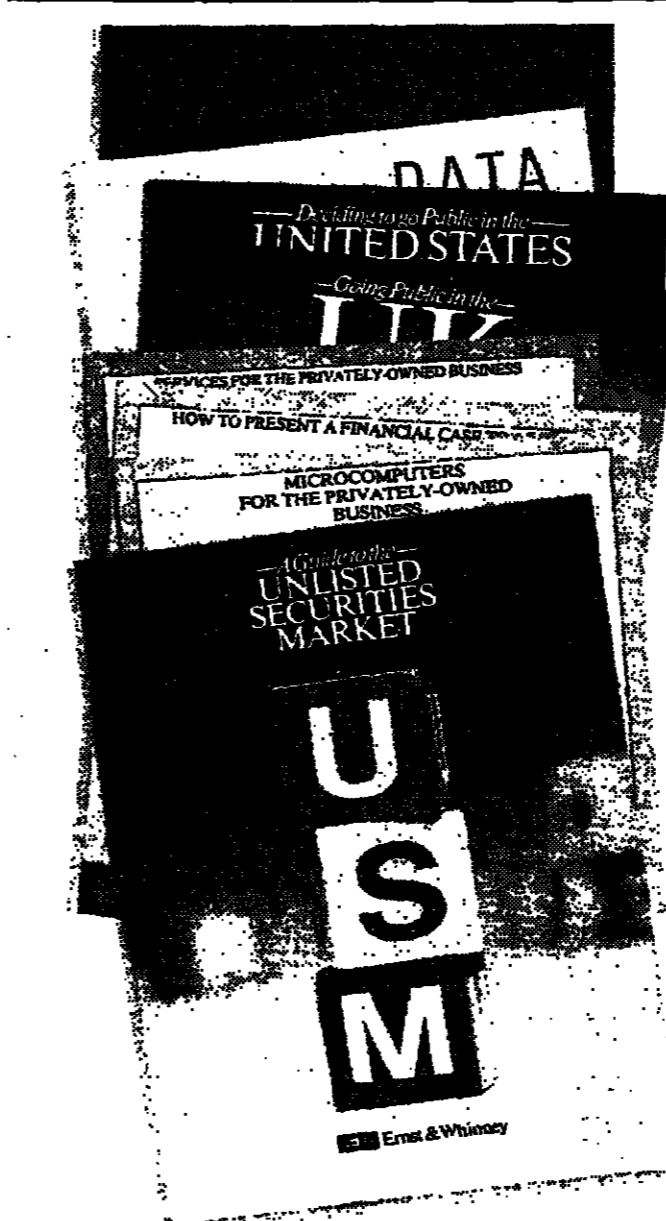
The list is not a call for generic substitution, which would force doctors to prescribe cheaper, non-brand name products where available. Instead, the Government will issue a negative list, naming both prescription and over-the-counter products which cannot be prescribed by NHS doctors. There will be an attached "recommended" list of products to be substituted for those eliminated but some products will have no exact equivalents.

Mr Clarke, quite heated about the doctors' fears that this list is the beginning of wider restrictions on freedom in prescribing. Instead, he believes doctors themselves have been erring. "This is not restricting the freedom of the doctor. No one denies there is still a good deal of over-prescribing and careless prescribing in this country." A recent issue of the Lancet supports this view, reporting that a two-week campaign to collect unused medicines in Cornwall gathered half a ton of products, worth more than £150,000, including enough material to kill more than 200,000 people.

"We need to reassure the drug industry that there is no conspiracy against them. We want them to invest here. We want to provide stability," he said. To this end, the next reduction in profitability, he implied, may be accompanied with some guarantee that profits would not be reduced further.

The crisis may force a new dialogue between the different parties, one which will put an end to the hostilities. Such a dialogue may be necessary. A recent survey of 2,000 doctors in West Germany shows that the country's new limited list of drugs has achieved only 60 per cent of the savings hoped for by the Government.

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## SECTION II - INTERNATIONAL COMPANIES

## FINANCIAL TIMES

Tuesday January 29 1985

**Look at Lovell**  
 FOR DEVELOPMENT

## Pru-Bache pays \$3m to British claimants

By George Graham in London

PRUDENTIAL-Bache has paid \$3m to a group of British investors in an out-of-court settlement of their claim for damages arising from a financial futures investment strategy promoted by the U.S. securities company in London.

Prudential-Bache said the case had been settled on a compromise basis to avoid the expense and distraction of pursuing it further.

The 81 British investors had sued the U.S. company for the return of their collective loss of \$5.5m, plus punitive damages of \$300m. Their lawyer, Mr Edward Swan, takes 25 per cent of the settlement as his fee, but would have received nothing if the suit had resulted in no payment.

The investors had in 1981 and 1982 put money into off-setting futures contracts on U.S. Treasury bonds and Government National Mortgage Association bonds (Ginnie Maes). They expected profits of as much as 50 per cent a year, but with no risk of loss, so long as the price relationship between the two contracts remained within the same spread as it had in the past.

In October 1982, the spread widened rapidly after a sharp drop in interest rates, and investors were left with substantial losses.

The investors have agreed to release all further claims arising from the case, and Prudential-Bache said it knew of no other claimants that might appear. It is believed, however, that as many as 200 investors may have been involved in the futures spread strategy in 1982.

## Steady growth for Black & Decker

By Our New York Staff

BLACK & DECKER, the U.S. power tool and household appliances group, has continued its recent steady earnings growth by lifting first-quarter profits by 9 per cent from \$25.7m to \$28.1m a share to a record \$29m, or 57 cents on increased shares outstanding.

Sales rose 40 per cent from \$358.1m to \$503m, mainly reflecting the acquisition in April of the housewares division of General Electric of the U.S.

Comparable unit sales grew 10 per cent compared with the year-ago period. Mr Laurence Farley, president and chief executive, said the U.S. power tools business continued to produce excellent operating results, while household products, including the operations bought from GE, performed very well.

Results in certain European markets that had been sluggish were recovering, and the UK continued to be a strong performer.

However, U.S. retailers' profits appeared to be under pressure, and the trade was reluctant to restock, said Mr Farley. As a consequence, orders at the beginning of the second quarter were less than expected, and second-quarter earnings may be "somewhat" below previous year levels.

But the low levels of stocks in distribution channels suggested that order rates would soon return to normal, he added, and the company was confident of another good year.

In the fiscal year ended September 30, Black & Decker posted net earnings of \$95.6m or \$1.96 a share.

## Consortium bids for Searle unit

By Our Financial Staff

G. D. SEARLE, the U.S. pharmaceutical and chemicals group, has received a preliminary proposal to buy its Nutrasweet business. The offer has been made by a consortium that includes two natural gas companies, Pacific Gas Transmission of San Francisco and Alberta Natural Gas of Calgary. The two groups, together with their jointly owned subsidiary, Angus Chemical, have revealed no details of their proposal.

Nutrasweet, which accounted for 46 per cent of Searle's 1984 sales of \$1.25m is a brand name for aspartame, a low-calorie artificial sweetener widely used in soft drinks in the U.S. The product accounts for a large proportion of Searle's profits, which last year rose by \$18m to \$161m.

Earlier this month Pfizer, the drug manufacturer, confirmed that it was interested in buying Nutrasweet. No asking price has yet been divulged.

Nutrasweet has come on to the market as a result of the Searle family's intention, announced last September, to sell its 34 per cent holding in the company.

## Union Carbide takes \$18m Bhopal charge

By PAUL TAYLOR IN NEW YORK

UNION Carbide, the U.S. chemicals group at the centre of the controversy over the Bhopal toxic gas tragedy, took an \$18m, or 25 cents a share, charge in the fourth quarter related to the disaster, which killed an estimated 2,500 people.

The Danbury, Connecticut based group said the extraordinary charge covered operating, distribution and administrative costs incurred and anticipated at Bhopal, India.

Union Carbide added that "in counsel's opinion, no charge or accrual is required for any amounts that may become payable for liabilities arising from the accident."

The group said fourth-quarter net income, before the extraordinary

charge, was \$31m, or 44 cents a share, compared with operating net income of \$28.3m, or 40 cents a share, a year earlier.

In the latest quarter, the special charge reduced net income to \$13m, or 18 cents a share, while in the corresponding period a year ago a fourth-quarter charge of \$138m resulted in a final net loss of \$111m, or \$1.58 a share.

Sales in the fourth quarter increased marginally to \$2.38bn from \$2.35bn a year earlier.

Union Carbide said the latest fourth-quarter earnings reflected weak results in the petrochemicals and metal and carbon products divisions, together with two other spe-

cial charges totalling 48 cents a share related to the writedown of an investment in a Canadian company and the temporary suspension of operations at a Puerto Rican petrochemicals facility. These charges were partially offset by a 22 cents a share gain from the liquidation of low-value inventories.

For the full year, Union Carbide reported operating net earnings of \$341m, or \$4.84, compared with \$238m, or \$3.38, in 1983.

After the Bhopal charge, 1984 net income totalled \$323m, or \$4.59 a share, compared with net earnings of \$70m, or \$1.13 after the charge related to the closure of production facilities. Full-year sales increased by 6 per cent to \$9.5bn from \$9bn.

## Flat fourth quarter fails to depress U.S. chemicals groups

By ANDREW BAXTER IN NEW YORK

W. R. GRACE and Celanese, the U.S. chemical groups, reported higher earnings for 1984 despite flat or disappointing fourth quarters.

Grace, which also has interests in natural resources, retailing and restaurants, said fourth-quarter profits rose 2 per cent from \$57.9m or \$1.19 a share to \$59.1m or \$1.22.

For the year, earnings were up by 22 per cent from \$158.7m or \$3.28 to \$195.6m or \$4.02.

Natural resources and industrial chemicals businesses improved in the final quarter, but operating profits from agricultural chemicals declined "substantially" as phosphate prices softened and shipments fell because of poor weather conditions in the Midwest and central U.S. In addition, margins were lower in certain consumer businesses.

Despite the late setback in agri-

cultural chemicals, this sector lifted full-year operating income by 31 per cent to \$29.4m, mainly because of improved prices for nitrogen products.

Grace's core business, special chemicals, recorded a 3 per cent rise in 1984 net operating profits to \$179.3m.

Strong performances in graphic arts and packaging units were offset by intense competition in the U.S. fluid-cracking catalyst business and the adverse effect of the strong dollar on European chemical operations.

Sales rose from \$6.2bn to \$6.7bn in the year, and from \$1.75bn to \$1.85bn in the final quarter.

Celanese, which produces chemicals, fibres and special products, suffered a fall in fourth-quarter net income from \$52m or \$3.25 a share to \$32m or \$2.31. The latest period

includes a \$1m charge, while the 1983 quarter takes in a \$8m foreign exchange credit.

For the year, net profits surged 58 per cent from \$112m or \$6.89 per share to a record \$161m or \$10.87.

Sales edged up from \$3.28bn to \$3.33bn in the year, but fell from \$836m to \$825m in the fourth quarter.

Profits in the fibres business fell by nearly half in the latest quarter, compared with the 1983 period, reflecting a surge in textile imports and slower growth in the U.S. economy. There was also a sharp fall in profits from the Brazil/Mexico division.

Mr John Macomber, chairman, president and chief executive, said that for the year income improved in all product groups. Celanese's shares fell 5 1/4 to \$88 1/4 in early trading yesterday.

## Nabisco hit by strong dollar

By OUR NEW YORK STAFF

NABISCO BRANDS, the U.S. international packaged food group, increased its fourth-quarter net income by 8.2 per cent to \$107.2m, but that was not sufficient to offset a 4.2 per cent drop in full-year net income to \$308.8m.

The company's stock repurchase programme has reduced the average number of outstanding shares by 7 per cent over the year and that enabled the company to report a 3.2 per cent rise in earnings per share to \$5.02 in 1984. Sales for the year rose 4 per cent to \$6.3bn.

The company says it experienced strong volume gains for U.S. biscuit products, but that was partially offset by the continuing adverse impact of the U.S. dollar on Canadian and international sales. A quarter

of the group's sales come from international operations and Canada accounts for another 11.5 per cent.

The group's international operating income in 1984 fell by 7.7 per cent to \$140.5m and its Canadian operating income was down 9.5 per cent to \$60.7m.

In the U.S., biscuit sales rose 16 per cent to \$1.8bn largely because of the launch of two new products. However, substantial increases in marketing costs led to a 15.7 per cent drop in the biscuit segment's operating income to \$176.5m. Confectionery and snack products income rose 5.8 per cent to \$133.5m and grocery product earnings rose 1.3 per cent to \$140.4m.

The 1984 results include \$15m of non-recurring after-tax gains but

those have been more than offset by a \$29m after-tax provision on the realignment of various North American operations.

Consolidated Foods, the Chicago-based processed foods and beverages producer, has boosted half-year profits by 12 per cent, from \$87.6m to a record \$98.1m, or from \$1.50 to \$1.70 a share.

Second-quarter earnings advanced from \$47.7m to \$54.2m or from 81 cents to 94 cents a share.

Half-year sales totalled \$4.04bn against \$3.47bn with the latest period contributing \$2.08bn against \$1.76bn.

The group expects full-year earnings to exceed last year's record \$18m or \$3.25 a share.

## Corning Glass signs Spanish deal

By DAVID WHITE IN MADRID

CORNING Glass Works of the U.S. has signed a preliminary agreement to set up a fibre optics manufacturing base in Spain.

A spokesman for Compania Telefonica Nacional de Espana (CINTE), the semi-state telecommunications authority, which would take a minority shareholding in the venture, said the plant would involve an investment of about \$20m. The initial capacity for produc-

tion of optical fibres foreseen in the agreement is 80,000 km a year, with planned turnover set at Ptas 4bn (\$23m) a year.

The plant is expected to start operating by early 1987.

The agreement follows closely on a \$200m joint project with American Telephone & Telegraph, also with Telefonica as a minority partner, to design and make microchips in Spain.

The negotiations with Corning Glass reflect Spanish concern to ensure a diversity of technology sources in ambitious government plans for the electronics and telecommunications sectors.

Telefonica's current four-year plan, ending in 1988, foresees the installation of 30,000 km of optical fibres with a view to the development of cable television and other services.

## James River warns of setback

By William Hall in New York

JAMES RIVER, the fast-growing U.S. paper company, gave a warning yesterday that its third-quarter earnings would be "significantly lower," blaming a strong dollar and a precipitous fall in the prices of white printing paper and pulp prices for the setback.

The announcement led to a sharp fall in the group's share price and by midday it was trading around \$28 1/2, down 3 1/2%. The shares of Mead Corporation, which yesterday reported 1984 net income of \$139.3m against \$42.6m, also fell sharply yesterday. In early trading they were \$1 1/4 down at \$37 as Wall Street began to revise its opinions about the scale of the setback in the latest earnings of the U.S. paper companies.

James River said yesterday that earnings for its third quarter, which ended yesterday, were expected to be significantly lower than the fully diluted earnings per share of 60 cents reported in the same period last year. In the first six months of its current financial year James River boosted its net income by 16 per cent and earnings per share rose by 5.5 per cent to \$1.51 for the six months.

The group's sanitary and food packaging products sales remained satisfactory during the latest period.

## Joseph Sanchez

Lansing, Michigan - Mr Joseph Sanchez, president of General Motors' newly created Saturn subsidiary, died last Saturday after a heart attack.

Mr Sanchez, 54, who had been regarded as an executive of increasing prominence within GM, had been named to head Saturn on January 7.

He was previously general manager of GM's Oldsmobile division.

Reuters

## AT&T misses forecast despite late recovery

By OUR NEW YORK STAFF

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, yesterday reported an improvement in fourth-quarter earnings over the disappointing third quarter.

Despite the upturn, full-year net earnings totalled \$1.38bn or \$1.25 a share, barely enough to cover AT&T's \$1.20 a share full-year dividend and substantially below the company's \$2.1bn pre-divestiture earnings estimate.

AT&T said fourth-quarter net earnings increased to \$379m or 34 cents, 20 per cent higher than the \$318m or 28 cents reported in the third quarter.

Revenues for the latest three months, after deducting \$5.34bn in access payments made to local tele-

phone companies to connect AT&T's long-distance customers' calls, increased by 5 per cent to \$8.41bn from \$8.01bn in the third quarter.

For the full year the group reported revenues, net of \$20.83bn in access charges, of \$33.19bn.

As a result of the Bell system break-up effective at the start of last year, the figures of a year earlier are not comparable. Ahead of divestiture, AT&T estimated full-year net income of \$2.1bn or \$2.02. However regulatory decisions, in particular, failed to match up to AT&T's expectations, leading to a downward revision in the group's own earnings forecasts and those of Wall Street.

Mr Charles Brown, AT&T's chair-

man, said: "We expected to do a lot better. Some factors bearing on our financial performance are attributable to problems created by divestiture, but not all of them. Some reflect gains made by our competitors in markets where we had previously faced little competition. Some were the results of regulatory rulings. Some were of our own making."

Mr Brown added that 1984 "established a basis for the successful transformation of the company." He said: "We intend to do better in 1985 and better still in the years ahead. In the meantime AT&T remains a financially strong company with nearly \$40bn in assets and excellent prospects in rapidly growing markets."

## E. F. Hutton boosted by Wall St upturn

By ANDREW BAXTER IN NEW YORK

E. F. HUTTON, the second biggest U.S. brokerage company, which has taken advantage of the upturn in activity on Wall Street, recorded a sharp rise in fourth-quarter profits.

Net earnings rose from \$8.5m, or 33 cents a share in the 1983 period, to \$24.3m or 94 cents. Profits in the 1983 quarter would have been \$17.8m without the provision of a reserve relating to Hutton's sale of annuities of Baldwin-United, the financial services group now operating under Chapter 11 of the U.S. bankruptcy code.

For the year, net profits are down from 1983's record \$110.8m or \$4.42 to \$52.7m or \$2.05, reflecting depressed market conditions in the first half.

The 1984 results include a further \$14m reserve for Baldwin-United,

offset by a \$14m retroactive tax credit.

Fourth-quarter revenues rose from \$57.1m to a record \$89.5m, reflecting a \$94m increase in gross interest income and a \$201m rise in insurance revenues created by new E. F. Hutton annuity products. For the year, revenues jumped from \$2.2bn to \$2.8bn.

While commission and trading revenues have recovered from the low levels of the second quarter, commission revenues for last year as a whole were down 14 per cent to \$543m. Investment banking revenues fell 20 per cent to \$254m.

Mr Robert Fomon, chairman and chief executive, said cost reductions implemented early last year had been highly effective. In early trading yesterday, Hutton's shares were up 5 1/4 to \$35 1/4, close to the 12-month high of \$36 1/4.

## BankAmerica probes losses

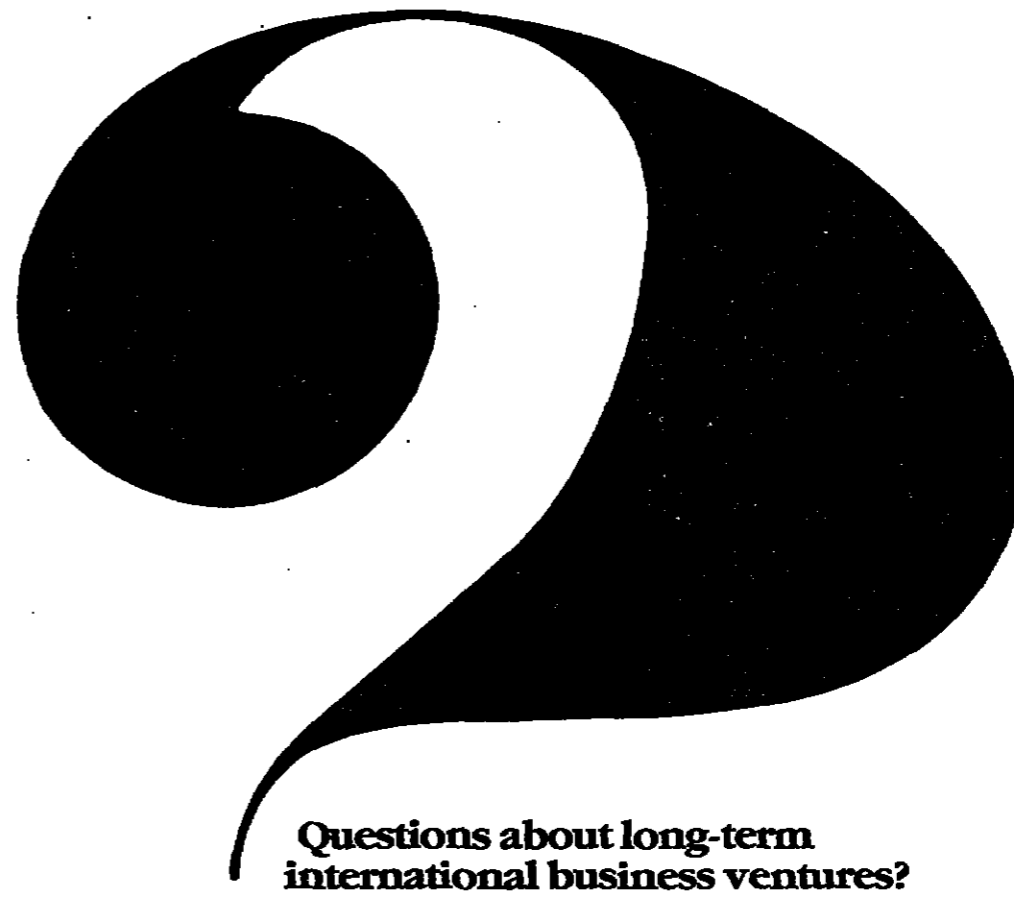
By Our New York Staff

BANKAMERICA Corporation, the second biggest U.S. banking group, which has been struggling to reverse a four-year earnings decline, has suspended several employees and launched an investigation into \$37m losses incurred in certain bank operations.

The San Francisco-based group, which earned \$73m in its final quarter, has refused to disclose the nature and location of the losses, but it confirmed yesterday that several employees had been suspended on full pay pending the outcome of the investigation.

BankAmerica said it was reviewing the circumstances that led to the loss to determine whether any bank employees had acted improperly.

The bank said that "very few customers" had been affected by the loss and that it had had discussions with all the customers involved.



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World stock markets,  
 Section III

## INTERNATIONAL COMPANIES and FINANCE

## Norsk Data profits and sales show steep rise

By Our Financial Staff

NORSK DATA, the Norwegian computer group, has reported a steep rise in profits for 1984 following an increase of more than half in operating revenues. Profits before tax moved up to Nkr 230m (\$25m) from Nkr 144m, operating revenues were Nkr 474m higher at Nkr 1,360m, and operating profits rose to Nkr 215m, against Nkr 123m.

Norsk Data has a stock market listing in London as well as in Oslo and Stockholm. As part of the drive for expansion and new capital markets, it plans to take a New York listing early this year.

Earnings per share were Nkr 18.70, an increase of 35 per cent, and pre-tax profit margins widened to 16.6 per cent from 16.2 per cent.

## Hongkong Land proceeds with \$96m tower project

BY DAVID DODWELL IN HONG KONG

HONGKONG LAND, the territory's largest but most deeply indebted property company, is to go ahead with the HK\$750m (\$96m) third tower of its prestigious Exchange Square development in Hong Kong's Central Business district.

The decision comes on the heels of the whirlwind sale of Land's 33.8 per cent stake in Hongkong Electric, the local utility company, for HK\$2.9bn. The disposal relaxed the turgid situation that the company has been forced to apply on developments since Hong Kong's property market collapsed two years ago, leaving it with near-fatal debts. Before the disposal, total debt amounted to about HK\$14.7bn.

The company is making a significant gesture of faith in the future recovery of Hong Kong's property market by pressing ahead with the third tower at a time when the supply of prime commercial office space greatly outweighs demand. The first two towers of Exchange Square, which have 1.2m sq ft of rentable space, remain virtually unlet, though they will be ready for occupation in three months.

The third tower, 32 floors high with a net floor area of 322,000 sq ft, will be joined to the first two towers by a 32,000 sq ft shopping complex, with car parking and a public plaza. Work on foundations will begin on March 1, and the building is due to be ready for occupation in the middle of 1988.

A Land executive said yesterday the decision to go ahead had been "positively influenced" by the sale of the company's stake in Hongkong Electric. The cash deal with Hutchison Whampoa, the trading group controlled by Mr Li

Kashing, was the largest corporate deal ever concluded in Hong Kong.

In the past two years Land has raised HK\$6bn through the disposal of "non-strategic assets." It could raise the better part of a further HK\$1bn in the coming months if it succeeds in disposing of the Excelsior Hotel.

Until last week's disposal was concluded, the company expected debts to peak next year at about HK\$16bn. It now confidently predicts the peak will be no more than HK\$14.7bn. Group equity is larger than total indebtedness for the first time in two years.

Mr David Davies, Land's managing director, said yesterday: "The firefighting is over. We can now go forward." He predicted that cash flow would be sufficient to support future capital spending needs.

## Philips in Polygram deal with Siemens

By Laura Raun in Amsterdam

PHILIPS IS buying four-fifths of Siemens's stake in Polygram Records, the music company owned jointly by Philips and Siemens, in an effort to bolster the Dutch electronic company's search for a Polygram partner.

Siemens said a year ago, when ill-fated merger talks between Polygram and Warner Communications began, that it wanted to reduce its activities in recorded music.

The West German company will retain a 10 per cent interest in Polygram while Philips's stake will rise to 90 per cent. Siemens, however, will take a direct 10 per cent holding in Deutsche Grammophon, the successful classical music label owned by Polygram.

Philips declined to disclose how much it paid for Siemens's 40 per cent share in Polygram. Polygram, whose turnover was DM 2bn in 1983, is known to have suffered notable losses from a costly and inefficient U.S. distribution system in recent years.

During last year's battle with the U.S. Federal Trade Commission (FTC) over Polygram's possible merger with Warner Communications, court papers revealed that Polygram had lost \$25m on sales of \$74m over the preceding six years. Losses of \$15m were expected for 1984. Polygram and Warner, the U.S. media entertainment group, last November dropped plans to combine their record operations because of the FTC's opposition to anti-trust grounds.

## Kuwaitis join in French high-tech capital venture

BY DAVID MARSH IN PARIS

FRENCH and Kuwaiti institutions have set up a joint company to take stakes in small high technology French enterprises as part of further efforts to boost venture capital in France.

France's state-backed Industrial Development Institute (IDI), which unveiled improved financial results yesterday, is among the French participants in the company. Compagnie d'Investissement dans les Technologies Avancées (CITA), between the two countries, which has a capital of FF 100m (\$10.3m) split 50:50 between the two countries. Other French participants are EIH Aquitaine and Paribas, while the Industrial Bank of Kuwait and Kuwait Petroleum Company are among the Kuwaiti investors.

M Claude Mandil, chairman of IDI, who took up his post a

year ago after a series of wrangles within the Government over the future of the institute, said that last year marked a "turning point" for the organisation, set up 15 years ago to take stakes in small and medium companies.

IDI last year had a profit, according to provisional figures, of about FF 50m, made up of FF 30m of operating profits and FF 20m in capital gains. This was the first positive result for several years. In 1983, its loss amounted to FF 185m.

M Mandil said IDI-owned 45 per cent by the state and 11.4 per cent by Electricite de France, with the rest held by banks and financial institutions—intended to step up its venture capital support for industry. It is setting aside a preliminary amount of FF 50m for direct venture capital participations.

Additionally, IDI, together with the State-owned financial group, Compagnie Financiere de Suez, is planning to regroup three existing separate venture capital organisations into a single holding company with around FF 500m in assets and FF 200m in available funds.

IDI, which raised its capital by FF 100m last year after an earlier writedown to take account of previous losses, now has equity of FF 870m, of which around FF 670m represents invested assets.

Last year IDI sold majority stakes in several groups including the combine harvester maker, Baudouin, and the publisher, Robert Laffont. It also invested FF 120m in equity participations or through convertible bond issues for a variety of small and medium groups.

## Kloekner denies snags in merger with Krupp Stahl

BY PETER BRUCE IN BONN

KLOECKNER-WERKE, one of West Germany's big four steel-makers, has dismissed reports that the planned merger of its steel businesses with Krupp Stahl is in trouble. Kloekner's chairman, Dr Herbert Glenow, said late last week the merged steel business would definitely begin operations on July 1.

It appears, however, that both Kloekner and Krupp, and the Australian natural resources group, CRA, have largely given up hopes, if they

were ever strong, of the Bonn Government meeting their demand for a DM 500m (\$158m) cash injection to set the new group, Stahlwerke Krupp-Kloekner (SKK), on its way.

The merger, originally announced late last October, will create West Germany's second largest steelmaker, with assets valued at some DM 1.5bn. Krupp and CRA are to take a 35 per cent stake each, while Kloekner takes 30 per cent.

Dr Glenow said that despite difficulties over the DM 500m and opposition from regions affected by a plant closure programme which will accompany the merger, "the understanding between the partners is unconditional."

SKK's balance sheet, Dr Glenow said, would be backdated to January 1 this year, and there was "no doubt" that the Government would support the partners' claim for a

further DM 350m out of a fund set up some years ago to encourage the steel industry to rationalise.

Dr Glenow, whose remarks were placed under embargo until today, also indicated the major political problem lay with the conservative Laender government in Lower Saxony, which was fighting to save jobs threatened by proposals to close Kloekner's Georgsmarienhutte works.

## Fiat injects FF 1bn into French truck subsidiary

BY PAUL BETTS IN PARIS

FIAT, the Italian motor group, has injected FF 1bn (\$103m) into Iveco-Unit, its French truck subsidiary, to reconstitute its capital in the face of continuing heavy losses and restructuring costs.

Iveco-Unit had a deficit last year of about FF 340m from its operations. This is about the same as in 1983. However, the subsidiary had additional charges of FF 250m last year to cover the costs of 1,250 job losses at its truck plant in Trappes.

The Italian group shut down its Trappes facility at the end of last year. The move reflects the continuing depressed state of the European and French truck markets.

Iveco-Unit has also warned that the future of its coach manufacturing plant of Fourchambault, in central France, would be in the balance after 1987 if orders fail to pick up. It is especially banking on a major order from the French army for 500 of its Lorraine coaches, manufactured at Fourchambault, which is currently operating at 50 per cent capacity.

However, the subsidiary intends to continue investing in its truck engine manufacturing plant at Bourbon-Lancy, also in central France.

Iveco, Fiat's large truck division, is envisaging investments of FF 300m over the next three years at its French engine plant. This reflects Iveco's broad strategy of concentrating truck engine production in France, components operations in West Germany and assembly operations in Italy.

The Italian group saw its share of the French heavy truck market decline by four percentage points last year to 14.8 per cent. The French subsidiary said this market share drop followed the company's decision to opt out of the fierce price-cutting war which has plagued the French heavy truck market.

In contrast, Iveco saw its share of the French light three-tonne truck market rise by 1.5 percentage points to 12.2 per cent because of adequate sales of the group's Daily vans.

## Growth for Bayerische Landesbank

By John Davies in Frankfurt

BAYERISCHE LANDESBANK, one of the largest publicly owned banks in West Germany, will pay a dividend on last year's earnings, as well as building up its financial reserves and increasing its risk provisions.

The bank has not yet disclosed the dividend to be paid to its shareholders, the Bavarian state government and community-owned savings banks, but since it was formed through a merger of two local banks in 1972 it has not paid less than 7 per cent.

The bank's partial operating earnings—interest and commission income minus personnel and material costs—edged up to DM 500m (\$167m) in 1984 from DM 424m. Net interest income rose to DM 570m from DM 550m, while commission income was stable at DM 114m.

The bank has given no details of its increase in risk provisions, but it is a 16.7 per cent shareholder in Deutsche Anlagengeld-Leasing (DAL), the troubled leasing concern which has suffered heavy losses

## NEW ISSUE

24th January, 1985

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Cleveland, Cincinnati, Chicago & St. Louis Ry. Co. 4% St. Louis Division First Collateral Trust Bonds due 1990  
Cleveland, Cincinnati, Chicago & St. Louis Ry. Co. 4% Cincinnati, Wabash & Michigan Division Mortgage Bonds due 1991  
Connecting Ry. Co. 3 1/2% Series A First Mortgage Bonds due 1976  
Elmira & Williamsport RR Co. 5% Income Bonds due 1982  
Kanawha & Michigan Ry. Co. 4% First Mortgage Bonds due 1990  
Lake Shore and Michigan Southern Ry. Co. 3 1/2% Gold Mortgage Bonds due 1997  
Michigan Central RR Co. 4 1/2% Series C Refunding and Improvement Mortgage Bonds due 1979  
Mohawk & Malone Ry. Co. 3 1/2% Consolidated Mortgage Bonds due 2002  
Mohawk & Malone Ry. Co. First Mortgage 4% Bonds due 1991  
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New York & Putnam RR Co. 4 1/2% First Mortgage Bonds due 1993  
New York Central & Hudson River RR Co. 3 1/2% Gold Mortgage Bonds due 1997  
New York Central & Hudson River RR Co. (NYC RR Co.) Ref. & Impr. Mortgage 4 1/2% Series A and 5% Series C Bonds due 2013  
New York Central & Hudson River RR Consolidation Mortgage 4% Series A Bonds due 1998  
New York Central & Hudson River RR Lake Shore Collateral 3 1/2% Bonds due 1998  
New York Central & Hudson River RR Michigan Central Collateral 3 1/2% Bonds due 1998  
New York Central RR Co. 5 1/2% Collateral Trust Bonds due 1980  
New York Central RR Co. 5 1/2% Collateral Trust Bonds due 1980  
New York Central RR Co. 6% Collateral Trust Bonds due 1980  
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New York Connecting RR Co. 2 1/2% Series B Bonds due 1975  
New York, New Haven & Hartford RR Co. 4 1/2% Harlem River Division First Mortgage Bonds due 1973  
Northern Central Ry. Co. 4 1/2% and 5% Series A General and Refunding Mortgage Bonds due 1974  
Penn Central Co. 6 1/2% Collateral Trust Bonds due 1993  
Pennsylvania RR Co. 4 1/2% Series D General Mortgage Bonds due 1981  
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Philadelphia, Baltimore & Washington RR Co. 5% Series B General Mortgage Bonds due 1974  
Philadelphia, Baltimore & Washington RR Co. 4 1/2% Series C General Mortgage Bonds due 1977  
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Pittsburgh, Cincinnati, Chicago & St. Louis RR Co. 5% Series B General Mortgage Bonds due 1975  
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Limited  
Norddeutsche Landesbank Girozentrale

Österreichische Länderbank  
Aktiengesellschaft  
PaineWebber International  
Phillips & Drew  
Pierson, Halding & Pierson N.V.  
PK Christiania Bank (UK) Ltd.  
Posipankki  
Prudential-Bache Securities  
Rabobank Nederland  
Rea Brothers Plc  
N.M. Rothschild & Sons Limited  
Rowe & Pitman  
Salomon Brothers International Limited  
Sanwa International Limited  
Sarasin International Securities Limited  
Simon & Coates  
Singer & Friedlander Limited  
Smith Barney, Harris Upham & Co.  
Incorporated  
Société Générale  
Société Générale de Banque S.A.  
Standard Chartered Merchant Bank  
Strauss Turnbull & Co.  
Sumitomo Finance International  
Sumitomo Trust International Limited  
Svenska Handelsbanken Group  
Swiss Bank Corporation International  
Limited  
Swiss Volksbank  
The Taiyo Kobe Bank (Luxembourg) S.A.  
Tokai International Limited  
Toyo Trust International Limited  
Union Bank of Finland Ltd.  
Vereins- und Westbank Aktiengesellschaft  
Vickers da Costa Ltd.  
Wardley  
Westdeutsche Landesbank Girozentrale  
Westfalen Bank Aktiengesellschaft  
Williams & Glyn's Bank PLC  
Wood Gundy Inc.  
Yamaichi International (Europe) Limited  
Yasuda Trust Europe Limited  
de Zoete and Bevan

This announcement appears as a matter of record only

DECEMBER, 1984



## INTER-AMERICAN DEVELOPMENT BANK

ISSUE

on a yield basis

of

£100,000,000

9¾ PER CENT. LOAN STOCK 2015

Issue Price £85.810 per cent.

Payable as to £30 per cent. of the nominal amount on application  
and as to the balance of the issue price by 19 June, 1985  
with interest payable half yearly on 15 November and 15 May

Baring Brothers &amp; Co., Limited

County Bank Limited

Hill Samuel &amp; Co. Limited

Kleinwort, Benson Limited

Lazard Brothers &amp; Co., Limited

Lloyds Bank International Limited

Morgan Grenfell &amp; Co. Limited

N. M. Rothschild &amp; Sons Limited

J. Henry Schroder Wagg &amp; Co. Limited

S. G. Warburg &amp; Co. Ltd.

This announcement appears as a matter of record only

OCTOBER, 1984



## AFRICAN DEVELOPMENT BANK

ISSUE

on a yield basis

of

£50,000,000

11½ PER CENT. LOAN STOCK 2010

Issue Price £91.574 per cent.

Payable as to £30 per cent. of the nominal amount on application  
and as to the balance of the issue price by 10 April, 1985  
with interest payable half yearly on 4 January and 4 July

Baring Brothers &amp; Co., Limited

Barclays Merchant Bank Limited

County Bank Limited

Samuel Montagu &amp; Co. Limited

Morgan Grenfell &amp; Co. Limited

S. G. Warburg &amp; Co. Ltd.

This announcement appears as a matter of record only

OCTOBER, 1984



## EUROPEAN ECONOMIC COMMUNITY

£50,000,000

11½ per cent. Notes 1990

Baring Brothers &amp; Co., Limited

Lloyds Bank International Limited

S. G. Warburg &amp; Co. Ltd.

Algemeine Bank Nederland N.V.

Banque Paribas

Barclays Bank Group

County Bank Limited

Dresdner Bank Aktiengesellschaft

Hambros Bank Limited

Hill Samuel &amp; Co. Limited

Kleinwort, Benson Limited

Samuel Montagu &amp; Co. Limited

Morgan Grenfell &amp; Co. Limited

Morgan Guaranty Ltd

The Nikko Securities Co., (Europe) Ltd.

J. Henry Schroder Wagg &amp; Co. Limited

Alahli Bank of Kuwait (K.S.C.)  
Al-Mal Group  
Amro International Limited  
Astaire & Co. Limited  
Julius Baer International Limited  
Banca Commerciale Italiana  
BankAmerica Capital Markets Group  
Bank Mees & Hope NV  
Bank of Tokyo International Limited  
Bankers Trust International Limited  
Banque Bruxelles Lambert S.A.  
Banque Générale du Luxembourg S.A.  
Banque Indosuez  
Banque Internationale à Luxembourg S.A.  
Banque Nationale de Paris  
Banque de l'Union Européenne  
Banque Worms  
Bayerische Landesbank Girozentrale  
Berliner Handels- und Frankfurter Bank  
Caisse Centrale des Banques Populaires  
Caisse des Dépôts et Consignations  
Caisse Nationale de Crédit Agricole  
Cazenove & Co.  
Chase Manhattan Capital Markets Group  
Chase Manhattan Limited  
Chemical Bank International Group  
CIBC Limited  
Citicorp Capital Markets Group  
Crédit Commercial de France  
Crédit du Nord  
Crédit Lyonnais

Credit Suisse First Boston Limited  
Dai-ichi Kangyo International Limited  
Daiba Europe Limited  
DG BANK Deutsche Genossenschaftsbank  
Dominion Securities Pitfield Limited  
Effectenbank Warburg Aktiengesellschaft  
Enskilda Securities  
Skandinaviska Enskilda Limited  
First Chicago Limited  
First Interstate Limited  
Fuji International Finance Limited  
Genossenschaftliche Zentralbank AG Vienna  
Girozentrale und Bank der österreichischen  
Sparkassen Aktiengesellschaft  
Goldman Sachs International Corp.  
W. Greenwell & Co.  
Guinness Mahon & Co. Limited  
Hoare Govett Ltd.  
IBJ International Limited  
Kansallis-Osake-Pankki  
Kidder, Peabody International Limited  
Korea Investment Trust Co., Limited  
Lazard Frères et Cie.  
LTCB International Limited  
Manufacturers Hanover Limited  
Merrill Lynch Capital Markets  
B. Metzler seel. Sohn & Co.  
Mitsubishi Finance International Limited  
Mitsui Finance International Limited  
Morgan Stanley International  
Nederlandse Credietbank nv

New Japan Securities Europe Limited  
Nippon Kangyo Kakumaru (Europe) Limited  
Nomura International Limited  
Norddeutsche Landesbank Girozentrale  
Orion Royal Bank Limited  
Österreichische Länderbank Aktiengesellschaft  
PaineWebber International  
Phillips & Drew  
Pierson, Halding & Pierson N.V.  
PK Christiania Bank (UK) Ltd.  
N. M. Rothschild & Sons Limited  
Rowe & Pitman  
Sanwa International Limited  
Sarasin International Securities Limited  
Simon & Coates  
Singer & Friedlander Limited  
Société Générale  
Société Générale de Banque S.A.  
Standard Chartered Merchant Bank  
Strauss Turnbull & Co.  
Sumitomo Trust International Limited  
Svenska Handelsbanken Group  
Swiss Bank Corporation International Limited  
The Taiyo Kobe Bank (Luxembourg) S.A.  
Toyo Trust International Limited  
Vereins- und Westbank Aktiengesellschaft  
Vickers da Costa Ltd.  
Westdeutsche Landesbank Girozentrale  
Wood Gundy Inc.  
Yamaichi International (Europe) Limited  
Yasuda Trust Europe Limited

## INTERNATIONAL COMPANIES and FINANCE

## Emilia Tagaza on a Philippines bank's battle against closure BF fights Central Bank in court

IN A last-ditch attempt to save itself from liquidation, the embattled Banco Filipino (BF), the Philippines' largest saving bank, has asked the courts to set aside a Central Bank order placing it under the receivership of the state-owned Philippine National Bank.

Last week the Monetary Board of the Central Bank said that BF was insolvent and forbade it from doing business. BF argues that, contrary to the Central Bank's claim, it has all the cash needed to meet its depositors' demands. The savings bank said it registered a gross profit of 108.6m pesos (US\$5.7m) last year, despite being illegally disallowed by the Central Bank from lending. BF said the Central Bank move was arbitrary and made in bad faith.

Few see BF ever bouncing back, for gone are the days

when the Central Bank was a generous lender of last resort and a considerate, caring nurse to ailing private banks. Mr Jose Fernandez, the crusading Central Bank governor is now putting teeth into his threat to clear the Philippine financial system of over-extended and inefficient banks.

As part of the August bail-out arrangement, the Central Bank appointed a conservator for BF, whose recent report formed the basis for the closure order. The Central Bank said BF has become insolvent and that its continuance in business would involve probable losses to depositors and creditors of the bank.

However, probably as significant as the closure order is the transfer of BF's deposit accounts to the state-owned Philippine National Bank (PNB), which is itself having

serious cash problems.

The Philippine Government, under a Letter of Intent submitted to the International Monetary Fund (IMF) in exchange for an SDR 615m (\$631m) standby credit, committed itself to the rehabilitation of PNB and at the same time promised to limit its contributions and credits to PNB. The state-owned bank's financial problems, the Letter of Intent said, will be covered by, among other things, higher collections, limited lending, and an increase in its deposit base through higher interest rates.

Last year, the state-run Social Security System (SSS), pumped close to 1bn pesos into PNB to help tide it over its cash problems. PNB needs to be propped up because of its vital role in agricultural lending.

In earlier emergency cases to see fewer but better banks

allowed to continue in operation but with their cash advances converted into government equity. In the last two years, about 30n peso of government rescue funds has been given to trapped private banks.

The massive bail-out was justified as a move that would plug a disastrous run and avert a major breakdown in the financial system. As a result, five of the country's commercial banks are now controlled by the government.

BF's closure is the second major case being handled under what Mr Fernandez calls his "crusade for sound and responsible banking." Shortly after he announced the closure last year, the Bank of Philippine Islands (BPI), one of the country's largest commercial banks, acquired Family Bank and Trust which had also experienced cash problems. Mr Fernandez wants to see fewer but better banks.

## Trebled group net profits at Minebea

By Terry Povey

MINEBEA, JAPAN'S leading manufacturer of precision bearings, has reported a tripling of group net profits from ¥10.1bn to ¥30.7bn (\$12.08m) for the year to September 30. Sales of the group, which has diversified into the assembly of electronic calculators and personal computer keyboards, and recently secured a joint-venture with Immos of the UK for the production of semi-conductors, rose by just over 30 per cent to ¥145bn from ¥113bn.

Pre-tax profits also advanced strongly, to ¥9.55bn from ¥3.3bn, and net profits per share increased to ¥14.19 from ¥4.93.

Minebea has consolidated subsidiaries in Singapore and Thailand—both of which contributed to the good results. The parent company's net profit was ¥4.66bn and sales ¥131bn. For the group as a whole both sales and earnings were boosted by strong demand for bearings reflecting higher orders from video cassette recorder manufacturers and the business machine industry.

Minutiae bearing sales rose by 55 per cent to ¥43.8bn, equal to 31 per cent of overall sales. Electronic machines and parts sales were comprised 40 per cent of turnover at ¥58.7bn.

● Sanyo Electric, one of Japan's biggest manufacturers of consumer electronics equipment, has announced a 20.4 per cent rise in parent company net profits, to ¥27.54bn (\$108.4m) for the year to November 30 from ¥22.87bn.

Sales were ahead by a similar amount to ¥992bn from ¥820bn. Earnings per share were up to ¥27.17 from ¥23.79 and the dividend total is unchanged at ¥7 per share.

## Singapore stockbroker to be wound up

BY CHRIS SHERWELL IN SINGAPORE

THE STOCK Exchange of Singapore is expected to wind up soon the affairs of Alfa-Pacific Securities, a local stockbroking firm, after suddenly stepping in earlier this month to supervise its affairs.

For the firm, the youngest of the stock exchange's 25 members, the action is a step short of bankruptcy which will prevent banks losing money they lent and protect clients. Officials, already embarrassed by the problem, also hope to contain the inevitable reverberations on Singapore's currently weak stock market.

Alfa-Pacific's downfall is the

first of its type in more than 10 years. In 1974 Chan Lin Securities, another local firm, was taken over after it got into difficulties.

The stock exchange began directly managing and supervising the day-to-day affairs of Alfa-Pacific on January 14 "at the request of all the directors and all the shareholders," according to a statement.

Further action proved necessary, however, and a few days ago the exchange suspended Alfa-Pacific's three directors, Mr Anthony Teo, Mr Francis Chu and Mr Chua Chye Chua. Mr Chua's son, Dr Chua Wee

Meng, resigned last August, not long after the authorities began an investigation into the firm.

The firm's troubles stretch back to last April, when the exchange first looked into alleged irregularities which were said to involve insider trading and commodities speculation. Other problems, mostly springing from share speculation, have since come to light during the local market's sustained decline.

Further confusion has been created by severe internal disagreements among the directors over the sale of Dr Chua's interest in Alfa-Pacific to his partner, Mr Anthony Teo. Pay-

ment was evidently made but the shares themselves have not turned up, apparently because they were pledged elsewhere.

To make sure Alfa-Pacific's creditors do not suffer by its closure, the stock exchange is expected to dip into the Fidelity Fund, set up under the Securities Act to compensate investors who suffer financial loss through the misuse of funds by a stockbroking firm.

With the winding up of Alfa-Pacific, a seat on the stock exchange will become open to other interested parties at a cost roughly estimated at S\$3m to S\$5m (US\$2.27m). Foreign firms are not allowed to be members.

## NZ News drops bid to increase stake in NZPA

NZ NEWS, one of New Zealand's major newspaper and publishing groups, has dropped its bid to increase its holding in NZPA Limited (NZPAL), the company which holds a stake in Reuters on behalf of the country's media. Dai Hayward reports from Wellington.

Shareholders in NZPAL, that is other newspaper publishers, have refused to sell to NZ News despite the offer being increased from NZ\$3,300 (US\$1,582) to NZ\$4,650 a share.

NZ News is already the

largest shareholder in NZPAL with 26.9 per cent and there was concern over its winning control.

Brierley Investments, the master company of Mr Ron Brierley, owns almost 40 per cent of NZ News and was seen as the force behind the move. It is now concentrating on increasing its holding in NZ News to give it control. The Commerce Commission is considering this and is seeking an assurance over the editorial independence of the company.

## Bank of Tokyo (Curacao) Holding N.V. US \$50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1989



Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by  
**The Bank of Tokyo, Ltd.**  
(Kabushiki Kaisha Tokyo Ginko)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curacao) Holding N.V., The Bank of Tokyo Ltd., and Citibank, N.A., dated October 23, 1979, notice is hereby given that the Rate of Interest has been fixed at 8 1/4 % p.a. and that the interest payable on the relevant Interest Payment Date, April 29, 1985 against Coupon No. 22 will be US\$105.47.

January 29, 1985, London  
By: Citibank, N.A. (CSI Dept), Agent Bank.

## Hongkong Bank

announces that on and after  
29th January, 1985

the following annual rates will apply  
Base Rate ... 14% (Previously 12%)  
Deposit Rate (basic) 11% (Previously 8 1/2%)

The Hongkong and Shanghai Banking Corporation  
The British Bank of the Middle East  
Wardley London Limited

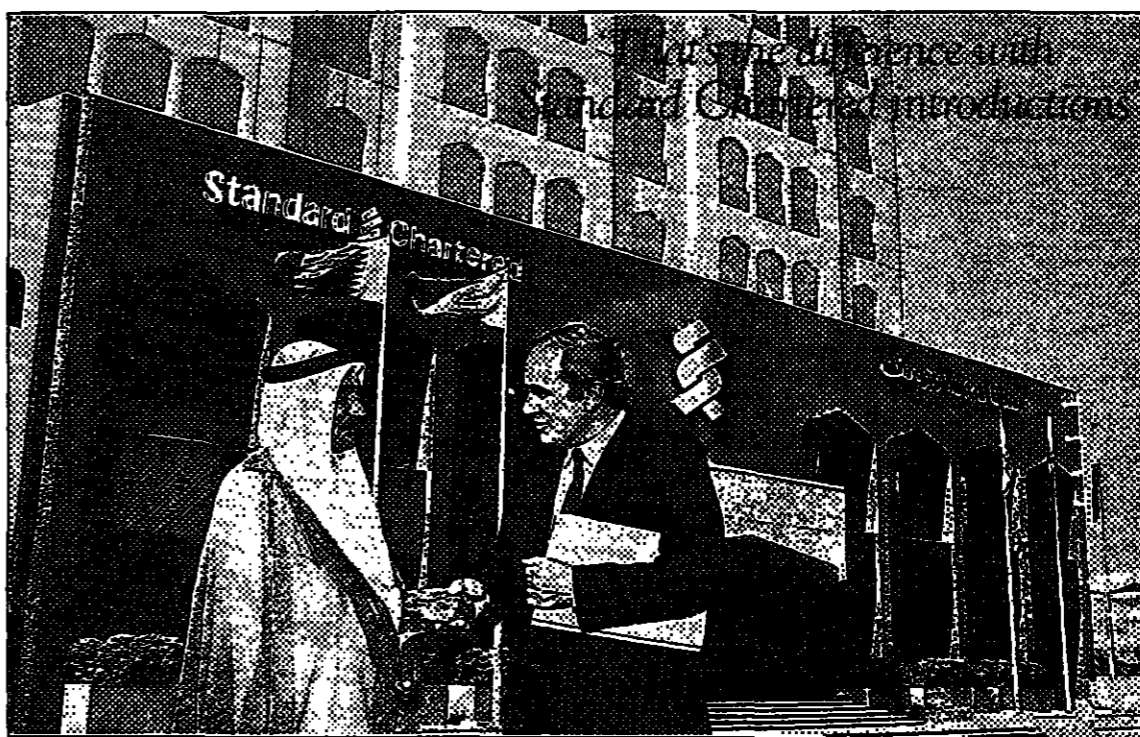
## FOREIGN BANKS IN NEW YORK

The Banker in the March issue will be publishing its annual study on the expansion of New York as an international banking centre. The study will again include the full listing of every foreign banking operation—Branch, Agency, Representative Office or Subsidiary—active at the end of 1984. Location, management, staffing and status are detailed in full.

Banks, Financial Institutions and Suppliers to the Banking Industry wishing to demonstrate their commitment to New York's international banking expansion by advertising in this important study should contact:

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on Page 2

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